

**MUTUAL SECURITY APPROPRIATIONS FOR 1960  
(AND RELATED AGENCIES)**

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**1350 -6**

**HEARINGS**  
BEFORE THE  
**COMMITTEE ON APPROPRIATIONS**  
**UNITED STATES SENATE**  
EIGHTY-SIXTH CONGRESS  
FIRST SESSION

ON

**H.R. 8385**

AN ACT MAKING APPROPRIATIONS FOR MUTUAL SECURITY  
FOR THE FISCAL YEAR ENDING JUNE 30, 1960,  
AND FOR OTHER PURPOSES

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# MUTUAL SECURITY APPROPRIATIONS FOR 1960

TUESDAY, JUNE 8, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met at 10:45 a.m., pursuant to notice, in room 1223, Senate Office Building, Hon. Carl Hayden, chairman of the committee, presiding.

Present: Chairman Hayden, Senators Ellender, Robertson, Holland, Stennis, Monroney, McGee, Saltonstall, Young, Dworshak, Kuchel, Hruska, and Allott.

## MUTUAL SECURITY

### MILITARY ASSISTANCE—NATO

STATEMENT OF GEN. LAURIS NORSTAD, SUPREME ALLIED COMMANDER, EUROPE, ACCOMPANIED BY MAJ. GEN. THOMAS W. DUNN, U.S.A., SHAPE; COL. IELAND G. CAGWIN, U.S.A., SHAPE; LT. COL. H. E. HUFFMAN, HEADQUARTERS, EUCOM, REPRESENTING DOD; MAJ. GEN. JOHN S. GUTHRIE, DIRECTOR, EUROPEAN REGION, INTERNATIONAL SECURITY AFFAIRS; AND JOHN M. MULLEN, EUROPEAN REGION, ISA

#### BUDGET ESTIMATE

Chairman HAYDEN. The committee will be in order.

The committee is pleased to have as its witness this morning Gen. Lauris Norstad, supreme Allied commander, Europe. The budget estimate for mutual security for fiscal year 1960 is in the amount of \$3,936 million, of which \$1,600 million is for military assistance. The larger share of this \$1,600 million is for the European and NATO areas.

General NORSTAD. Gentlemen, it is a great pleasure and privilege to appear again before this committee. I think for some reason or another I missed the opportunity last year. The last time I appeared before you was 2 years ago. I am pleased to be here again and to discuss with you some of the broad aspects of the general military situation as they exist today throughout NATO Europe.

In past appearances it has been agreeable to the committee that I should speak on a broad basis, giving the background to the military requirements and trying to assist in bringing the committee's knowledge of the actual military situation in NATO up to date. I would propose to follow that line again this morning, if that is agreeable.

Chairman HAYDEN. That was very satisfactory before.

General NORSTAD. I will submit to the committee a very short and general statement which can be used as you see fit.

(The statement referred to follows:)

Mr. Chairman, members of the committee, I very much appreciate this opportunity to testify before you today; it is always a privilege to meet with you.

Ten years ago this spring the original 12 NATO nations signed the Atlantic Treaty, stating their high resolve "to unite their efforts for collective defense and for the preservation of peace and security." You will recall that this unprecedented peacetime action was the result of a clear and dangerous Soviet threat to the peace and security of the free world. The Soviet armies—never demobilized at the end of World War II—were at the height of their power. By 1949, Czechoslovakia had been seized and Berlin was under bitter blockade. In the aftermath of the war, many of the Western European countries were weak and uncertain. The climate was one of fear, even in some cases of despair. To many, war seemed inevitable, the danger appeared imminent.

NATO's 10th anniversary, celebrated with pride and enthusiasm by the 15 nations who now form the alliance, has served to underline some of the changes that NATO has brought about. A very real defensive strength has been created. The Western European nations, regaining both confidence and hope, have been able to pursue their peaceful destinies behind this strength. In 10 years, no foot of NATO soil has fallen to aggression.

In the creation of NATO strength the U.S. military assistance program has played a part in which Americans can take justifiable pride. In order to see this MAP contribution in proper perspective, I would like first of all to discuss in broad terms the foundation of our policy, the basis of our military planning.

The basic objective is the prevention of war. There are two major elements of the deterrent—the strategic retaliatory forces, which are largely outside my command, and the forces of the Allied Command, Europe, which man the forward outposts of our defense. The responsibility of the strategic retaliatory forces lies in the area of preventing deliberate, all-out war. In contemplating any action which might lead to a major involvement, an aggressor must consider the existence, the great destructive power, of these strategic forces. When considered in these terms, a deliberate decision to provoke an all-out war becomes most improbable. The cost to the aggressor remains too high.

The prevention of war is also, and equally, the concern of the NATO shield forces. Guarding as they do the frontlines of freedom in Europe, it is their task to prevent an incident from occurring—whether local probing operation or accidental flareup. If need be, they must be prepared to defend the people and territories of NATO's forward areas. They must be able to force a pause in the continuity of an action that has started. It is in this pause that the aggressor must be forced to make a conscious decision, whether to go to war or not. And, in making that decision, he must be made fully aware of the total cost of his action. He must consider the total price he would have to pay if he were to continue the action and so bring into operation the full weight of all elements of the deterrent.

The possibility of war must always be reckoned with. Therefore, it is axiomatic that, should the two elements of the deterrent fail in preventing war, the forces that compose these elements must have an adequate combat capability. Their ability to defend as well as to deter stems in part from their strength, their training, and the weapons they possess. But it also stems from something that has been the spirit of NATO from the start: the clear will and determination of our people to preserve our freedom.

The soldiers, sailors, and airmen of the Allied Command, Europe—the men who man the shield—must have the weapons and equipment necessary to make them effective. All of our planning is based on the recognition of this fact—that to achieve adequate strength with forces on a truly minimal basis, weapons of maximum effectiveness are needed.

In our program of modernization, great dependence is placed on MAP for a central reason: the missiles of many types and capabilities that are the core of the program are largely produced in the United States. European production is making a greater and greater contribution to European needs. But for the present, the family of well-known American missiles—Corporal, Honest John, and Nike for example—provide an important part of our strength. By the end of 1969, more than 80 units of these types will have been placed in the combat forces which 10 NATO countries provide to the alliance. This represents only



a segment of what MAP does to help keep NATO strong. Advanced aircraft and electronic items, tanks and antisubmarine equipment are some of the material for which the European nations look to us to supplement the manpower and facilities and bases which they provide.

While speaking of new weapons, it is well to recall the statement made by the NATO heads of government when they met in Paris in 1957:

"Soviet leaders, while preventing a general disarmament agreement, have made it clear that the most modern and destructive weapons, including missiles of all kinds, are being introduced in the Soviet armed forces. In the Soviet view, all European nations except the U.S.S.R. should, without waiting for general disarmament, renounce nuclear weapons and missiles and rely on arms of the preatomic age.

"As long as the Soviet Union persists in this attitude, we have no alternative but to remain vigilant and to look to our defense. We are therefore resolved to achieve the most effective pattern of NATO military defensive strength, taking into account the most recent developments in weapons and techniques.

"To this end, NATO has decided to establish stocks of nuclear warheads which will be readily available for the defense of the alliance in case of need."

I have stressed the fact that NATO military strategy relies on both spirit and strength. NATO policy not so backed would soon become meaningless. Consider for a moment where we would stand if we did not have that strength in being. In recent months the Soviet threat, which some may have thought had been diverted and rechanneled, has again focused on Western Europe. Soviet action in attempting to use again the brave people of Berlin as pawns in a power move has served as a sharp reminder that Western Europe remains a prized objective. You remember the spirited and unanimous response of the North Atlantic Council to that action last December. After examining the Berlin question, the Council declared that "It considers that the denunciation by the Soviet Union of the interallied agreements on Berlin can in no way deprive the other parties of their rights or relieve the Soviet Union of its obligations. Such methods destroy the mutual confidence between nations which is one of the foundations of peace."

I am sure you will agree that this response was possible because of the confident knowledge of the Council that its actions were backed by the strength, moral and military, of the 15 nations of the alliance.

To the Soviet, probing ever for weakness, strength such as NATO's is the ultimate sin. By diplomatic note and violent propaganda attack they have recently threatened several NATO nations. These threats have served only to strengthen the conviction of these voluntary subscribers to a pact which has for its purpose the preservation of peace in freedom and in honor.

A part of the response of the Greek Government is well worth quoting here:

"Without ignoring either the size or means of the Soviet Union, without provoking and confirming our good intentions, it is necessary for us to declare that statements such as the recent ones in Tirana and Korytsa which apparently aim at intimidating the Greek people will not disturb our coolheadedness. Under whatever circumstances, as was the case in the past, the lawful and responsible leadership of Greece will in every instance do what the dignity and interest of our small but independent and sovereign country demands."

When small countries can stand up to the forces of tyranny and aggression in this manner, and speak with the voice of freedom, it is because of their sure and proud knowledge that they share the total strength of the alliance. This strength, which the United States has done so much to create, will continue to require, from all of NATO, work and dedication and sacrifice. The surest guideline into NATO's second decade is that we can and must keep our strength so long as there is a threat to our freedom.

#### NATO AN ACCEPTED FACT OF LIFE

General NORSTAD. I have just come within the last 3 days from a meeting of the Atlantic Congress in London where many Members of the U.S. Senate, as well as the House of Representatives, were present as delegates. The occasion was just one of many, although it was something of a climax, marking the 10th anniversary of the signing of the North Atlantic Treaty Organization.

**BEST AVAILABLE COPY**

I was tremendously impressed, and I think the Members of Congress who were there were also, with the fact that NATO has become an accepted fact of life to all of the members of the alliance. It is not a debatable issue. It is not a domestic political issue in any one of the NATO countries. It is an accepted fact of life, recognized as necessary as long as the threat continues.

#### EDITORIAL FROM LONDON NEWSPAPER

In connection with the celebration marking the 10th anniversary, there was an editorial in one of the London papers which greatly impressed me. I thought I would just like to start this off by reading you one short sentence from that editorial. It stated that:

The word that has come to stand for the North Atlantic Treaty Organization, the word "NATO," has become synonymous with other combinations of letters which also stir deep emotions in the hearts of men—freedom, peace, independence, human comradeship, and the will to survive.

I think that one sentence characterizes the attitude of the NATO members toward this organization. I think this also characterizes this meeting of the Atlantic Congress in London at this time, and to me it is perhaps as concise, adequate, and complete a statement as has been given of the success that has been achieved by this organization over the period of 10 short years of its existence.

With that general background, I would like, if I may, to follow the pattern of going to the charts in the interest of time, and to bring you up to date on what we are doing, and what we are thinking and where we stand. Some of this I know is going to be generally familiar to some members of the committee, although there have been new developments in almost every case. I will try to be brief on those points which I think are generally familiar to you.

(Chart 1 appears on p. 5.)

#### ORGANIZATIONAL STRUCTURE

First, I will again remind you of the general broad organizational structure of the alliance, which has its headquarters in Paris and functions under the direction of the Secretary General, Mr. Spaak, and the international staff. We have a U.S. representative on the North Atlantic Council, Mr. Burgess, who has been there now for about 2 years. Speaking now as an allied officer rather than an American officer, the North Atlantic Council, from the standpoint of the alliance, is looked upon as our government. This is a government from our standpoint, and it fulfills many—not all, but many—of the functions of a governmental organization.

The next major body under the Council is the Military Committee. That corresponds to the Chiefs of Staff in our American system. The Military Committee consists of the senior military representatives of each of the 16 members and meets as required in Paris.

Additionally there is a day-to-day requirement for work which has to be done. Consequently, the alliance established a body known as the standing group which has a representative from the United States, the United Kingdom, and from France. Admiral Boone, the current Chairman, is the present American representative. The standing group is located in Washington. It serves as an executive agent for the Military Committee. It is in constant session and carries on the

CHART 1



day-to-day business of the military side of the alliance at that particular level. Hence, it is our military authority.

Then, just as in the United States and all of the other NATO countries, we have the military commands or agencies under these political and military authorities. Here [indicating] we have a Channel Committee, a British type of organization. The commanders of the naval and air forces charged with defending and controlling the channel work together as a committee. Next there is the Canadian-United States regional planning group which has existed for many years. It was taken into this NATO framework in this form. Then, there is Allied Command, Europe, and Allied Command, Atlantic. The latter is under Admiral Wright who has his headquarters in Norfolk.

(Chart 2 appears on p. 7.)

#### SHAPE STAFF ORGANIZATION

Very briefly I will run over the SHAPE staff organization. My headquarters is located right outside of Paris. There have been, since I was here before, two or three quite notable personnel changes. For one, Field Marshal Montgomery, who was my deputy for something over 2 years, has retired.

The rest of the organization remains roughly the same as it has been. It is the conventional-type organization. At the Deputy Chief of Staff level we have three deputies: one for administration, a French Army officer; one for operations, a Canadian air marshal; and one for plans and policy, a very important post that from the beginning of SHAPE has been filled by a British officer. At the first of this year I brought in a German lieutenant general officer to that position. We also have a German major general in the Logistics Division. The rest of the staff is more or less unchanged. I did want, however, to point out that significant development.

(Chart 3 appears on p. 8.)

#### SCOPE OF COMMAND

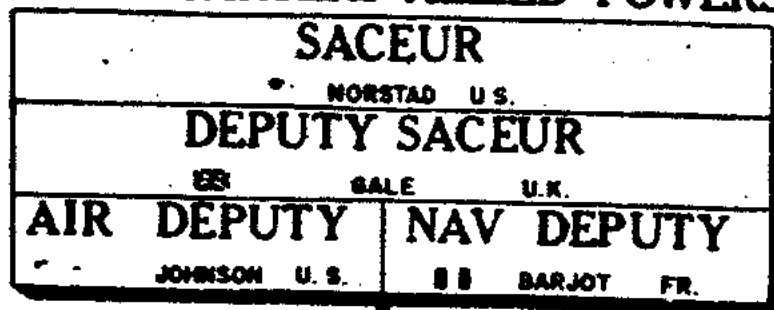
Again, I would like to remind you of the length and breadth of this particular command. It extends, as you know, from the northern tip of Norway south across the Continent, down to the Mediterranean and east to the eastern border of Turkey, a distance of something over 4,000 miles. That is a very large area.

The problems will vary somewhat with the area, and there are geographic barriers. So, in order to exercise control over this area, it is broken down into four major commands. There is a command in the north, with its headquarters in Oslo, that controls the military organization in Norway and in Denmark. It now happens to be under a British Army general. There are two subordinate land commanders, one in Norway, one in Denmark. Then, there is a naval commander who is British. We also have an air commander who, at the request of the Norwegians and of the Danes, has been an American since 1951. When the present incumbent, General Sillin, came, I said to the people in the North it was the last time the United States would furnish an air commander, because the Danes and Norwegians were quite competent to take over. So this position will pass to a Dane, General Andersen, this summer.

CHART 2

# SUPREME HEADQUARTERS ALLIED POWERS EUROPE

■ BELA  
 ■ CAN  
 ■ DEN  
 ■ FR  
 ■ GER  
 ■ GR  
 ■ ITALY  
 ■ LUX  
 ■ NETH  
 ■ NORW  
 ■ PORT  
 ■ TURK  
 ■ UK  
 ■ US



**NMR'S**

**CHIEF OF STAFF**

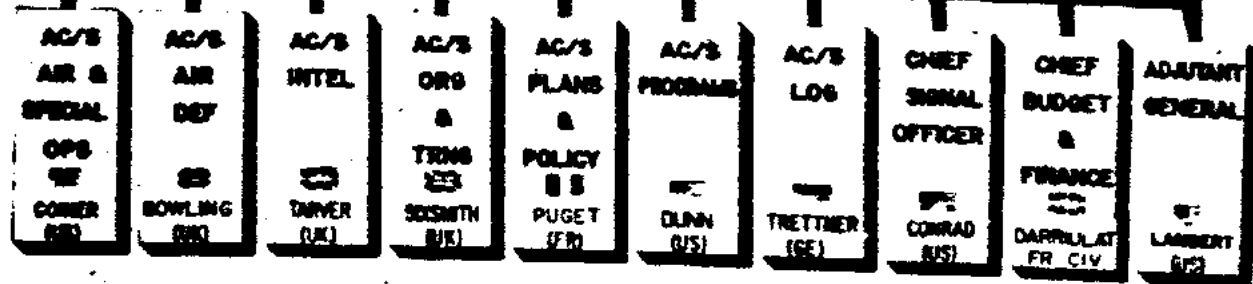
SCHUYLER (US)

DEPUTY C/S  
LOG & ADMIN  
BEAUFRE

DEPUTY C/S  
PLANS & POLICY  
FOENTSON GE

DEPUTY C/S  
OPS  
DUNLAP CA

CHIEF OF  
PUBLIC INFO  
CARDIFF (UK)



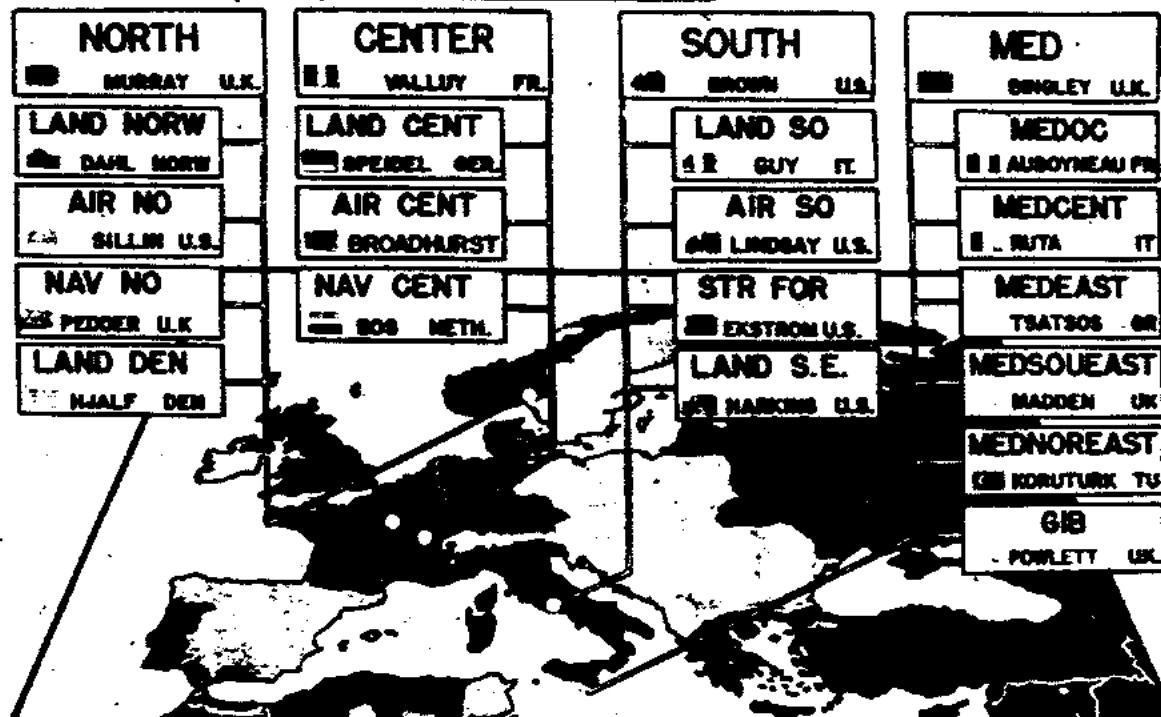
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SOURCE: A3 Division  
15 May 1959.

CHART 3

PRINCIPAL HQS  
ALLIED COMMAND EUROPE

SHAPE  
NORSTAD U.S.



## SEVENTH ARMY HEADQUARTERS

The next region is the center. This is one of great interest and great concern to the United States, as well as to the alliance. It is of special interest to the United States because here are our Armed Forces, the U.S. 7th Army and the bulk of our Air Forces. The center is under the command of General Valluy, a French general with headquarters in Fontainebleau, France.

The ground forces commander, in command of Land Center, is General Speidel, a German army officer. General Speidel exercises what we would call unified command over all of the army forces, in the Northern and Central Army Groups. The 7th Army forces are the American component of the Central Army Group. This Army Group is commanded by General (Elwin) Eddleman an American. The same is true of the air forces in the central region. Most of the American air forces are found in this area. The Americans come under an allied tactical air force—one of two. That allied tactical air force 4th ATAF, is under General Everest, an American, who exercises command over the American component, the French component, and the Canadian component.

The Naval Forces Center are concerned with rivers and harbors and coastal operations.

## SOUTHERN COMMAND

Moving to the Mediterranean, in the southern region we have the southern command under Admiral Brown of the U.S. Navy, whose headquarters is in Naples. Admiral Brown has two land commanders under him—one in Italy and one with headquarters in Izmir, Turkey, charged with the responsibility of controlling the land operations of Greece and Turkey. The necessity for two land commands springs from the fact that there is a major geographical separation. Admiral Brown's air command is under General Lindsay, an American. He also has something unique in this NATO organization; he has a strike force. It is an essential element of his command, and is, in fact, the U.S. 6th Fleet.

## FOURTH COMMAND

The fourth command is located in Malta under Admiral Bingley of the Royal Navy, United Kingdom. He has a responsibility for maintaining the sea lines of communication throughout the Mediterranean. He is the only one of the four commands who has really a single service function and a single service command.

Senator ELLENDER. What jurisdiction does he have over the 6th Fleet?

General NORSTAD. He has no jurisdiction. The 6th Fleet comes under Admiral Brown in Naples. It is a strike force.

Senator ELLENDER. What ships does he have under his command?

General NORSTAD. Under his command he has the Italian forces, some limited Greek forces, some limited Turkish forces. He has the British Mediterranean Fleet, and he has the Gibraltar station and the ships relating to the Gibraltar station. He has also a command called MEDOC which is under Admiral Auboyneau of the French Navy. It was the MEDOC forces which were recently—a matter of 3 months ago—removed from commitment to NATO by an action of the French Government. It consisted of 1 carrier and 12 destroyers, which were removed at that particular time.

Senator ELLENDER. Are there any French vessels left?

General NORSTAD. There are no French vessels left under the control of the Allied Command Europe in the Mediterranean.

Senator ELLENDER. What are the remaining ships there? What do they consist of?

#### BRITISH AND ITALIAN FLEETS

General NORSTAD. I will give you the broad elements: The British Mediterranean Fleet; the station at Gibraltar, plus its local ships that have responsibility for the submarine barrier net in the area; some limited Greek ships and the Turkish ships. There have been no French naval forces assigned or committed or earmarked to the alliance in the Mediterranean for the last 3 months.

Senator HOLLAND. What about the Italians?

General NORSTAD. The Italian fleet is committed to NATO.

Senator ELLENDER. How do the numbers of ships and the power behind this force you are talking about compare with the 6th Fleet?

General NORSTAD. They are entirely different types of forces.

Senator ELLENDER. I mean in strength.

General NORSTAD. The strength in numbers of ships? They are not a strike force. In AFMED their task is to maintain the sea lines of communication. They are essentially an antisubmarine force. I point out that one of their principal functions is to provide anti-submarine protection for the 6th Fleet.

Senator ELLENDER. How do they do that?

General NORSTAD. With their carriers, their patrol planes, and their destroyers. They conduct a hunter-killer type of operation. One of their first tasks is to provide in this area a general antisubmarine protection for the 6th Fleet. They also control convoys and all shipping going through that area.

Senator ELLENDER. Could we have the number of ships available under that command?

General NORSTAD. Yes, sir. I can make that available. I do not have it now.

(The information requested, being classified, was submitted to the committee.)

Senator ELLENDER. I mean in comparison with the 6th Fleet.

#### ATOMIC CAPABILITY OF SIXTH FLEET

General NORSTAD. Yes, sir. But I would point out the functions are entirely different. One is a strike force. I might amplify that by saying that the 6th Fleet has atomic capability. That atomic capability—and that is the reason the 6th Fleet is there—is integrated in the strike forces of the allied air forces. The Malta Command forces are carrying on the task of maintaining these lines of communication through the Mediterranean.

Senator ELLENDER. The British have always maintained control of the Mediterranean Sea.

General NORSTAD. This is really out the traditional function of maintaining sea lines of communication, which have been traditionally maintained by the Royal Navy for the last 200 years.

(Chart 4 appears on p. 11.)



# **THE DETERRENT**

**RETALIATORY FORCES**

**SHIELD FORCES**

**WILL**

11 MAY 1960

## EMPHASIS IN TREATY

General NORSTAD. I would remind you again that the basic policy, the basic foundation of all the planning, the thinking, all of the concepts of operation within the alliance, springs really from the treaty itself. It is the emphasis in the treaty on the preservation of peace that has added this great weight to the word "deterrent." The deterrent is a word which we as Americans have always been familiar with, especially since the last war. We have always had a tendency to think of it in terms of heavy retaliatory forces alone. I think the concept of NATO and the strength of NATO as developed has tended to broaden the definition. In fact, it has changed and modified the definition. The deterrent continues to consist of retaliatory forces which we believe are essential to any valid concept, any defense of the West. At the same time, there are other essential elements of the deterrent; for example, the shield forces, composed of the army, navy, and air forces which are charged with the responsibility of maintaining the forward lines, defending the forward areas of the alliance.

In supporting these forces, of course, there is a third element, which is the will and determination of the countries of the alliance, individually and collectively, to use the forces, if necessary, for the purpose for which they are intended.

## DEFINITION OF SHIELD FORCES

Senator ELLENDER. How do you define "shield forces"?

General NORSTAD. I define shield forces as army forces, navy forces, and air forces that are charged with the responsibility of maintaining, holding, defending the forward areas of the NATO countries. To make a negative definition: they are not army forces alone as is sometimes suggested. They are army forces, navy forces, and air forces. They are not conventional forces as is sometimes suggested, since to a greater extent every day—we will point that out as we go along—they are dependent upon and have integrated into them, an atomic delivery capability. Even those units that do not have their own atomic capability cannot operate effectively except in the context of atomic operations. I will explain that, Senator Ellender.

Senator HOLLAND. Will you discuss the recent announcement of De Gaulle with reference to the attitude of his country toward storing atomic weapons and use of atomic bases?

General NORSTAD. De Gaulle has not made a statement, Senator, so far as I know. There was a rather cryptic comment or remark which I think came out of the foreign office, if I am not mistaken. The papers I saw—

Senator HOLLAND. The radio and television commentators spoke of it last night.

(Discussion off the record.)

Senator HOLLAND. As I recall, 2 years ago when you appeared before our committee, you had a map showing the location of these NATO air forces, the large part of them, especially those who we were well aware from the line of contact, were in France.

General NORSTAD. That is correct, sir.

Senator HOLLAND. This might prove a very inconvenient and hurtful action.

(Discussion off the record.)

#### GENERAL THINKING BEHIND DETERRENT FORCE

General NORSTAD. Before I get into definite numbers and programs, I would like to give again a reminder of the general thinking behind our deterrent force. I would like to talk about the shield forces. I would like to discuss these forces at some reasonable length.

We believe that the retaliatory forces are at the present time effective as a deterrent; that is, the price that they could exact in case of an act of aggression would be so great that we believe it is improbable that the Russians could just sit down at a table like this and in a coldblooded manner decide to provoke a third world war. The price is too great.

I would like to point out that the deterrent value of a force is not relative. There is an absolute quality about it that we must remember. For instance, if the Russians have 50 percent of our capacity that does not cancel 50 percent of ours. If they have 100 percent, it does not make a stalemate. It does not cancel us entirely. It is the absolute ability of our forces to accomplish unacceptable destruction which gives the deterrent value. So if we have a means of accomplishing more destruction than they are willing to accept, then there is a deterrent value to these forces. I don't want to make it too precise, but within limits that is correct at the present time. That is the basic NATO assumption, a political assumption as well as military assumption within the alliance.

#### DANGER OF WAR

That being true, then we must consider what is the great danger of a war. It seems to us, and by "us" I mean NATO, that then the great danger of war—and there could be a great danger—would come from a war resulting from a mistake or error in judgment, a probing operation which got out of hand. We then decided there were three principal objectives for any valid NATO strategy in Europe. The first objective is in the event of a clash, of an incident, of an action of any kind, we must have the means to compel a pause, to force a break in the continuity of the action that is started, regardless of whether it is intentional or unintentional. Regardless of what we use to do that, that is objective No. 1.

Objective No. 2, during this pause, is that we must compel the Soviets, or Soviet satellites, to make a conscious decision that they are either going to war or they are not going to war. Don't let them back into it. Don't let them get into a war as a result of a mistake. Compel them to make a conscious decision.

Objective No. 3 is when they are making this decision, they must weigh the total cost of their action. They must not think only of some relatively small force which may be in immediate opposition to them. They must be compelled to weigh carefully the total cost of their action.

Those are the three objectives which we say are essential to any valid strategy for the alliance.

Now, these shield forces have been designed to achieve these objectives. Shield forces again are army, naval, and air forces. The general proportions of these forces I will show you in a few minutes. Again, I must also make clear that they are not simply conventional forces, because they are all getting their own nuclear delivery capability. Those units that do not require a delivery capability can only operate with full effectiveness in the context created by an atomic capability.

(Discussion off the record.)

General NORSTAD. Now, to go back to shield forces, having given you the broad objective of the shield forces, I would like to discuss very briefly the task or mission of these forces.

(Chart 5 appears on p. 15.)

#### MISSION OF SHIELD FORCES

In the first place, there is the traditional classical function of defending—defending people and defending territory. I know that the theorists can sit in the back room and say that defending people and territory is based on an obsolete concept. But I would like to suggest that the people and the territory in which they live are still essential factors in all of our activities today. You could not hold this alliance together, you could not provide for the security of any one of the countries, including the United States, unless you showed the necessary concern for the safety and the security of the people of this alliance. Therefore, that is a function, an important function of the shield forces; it is one function which we design the forces to meet, and we believe these forces can meet that requirement as they build up.

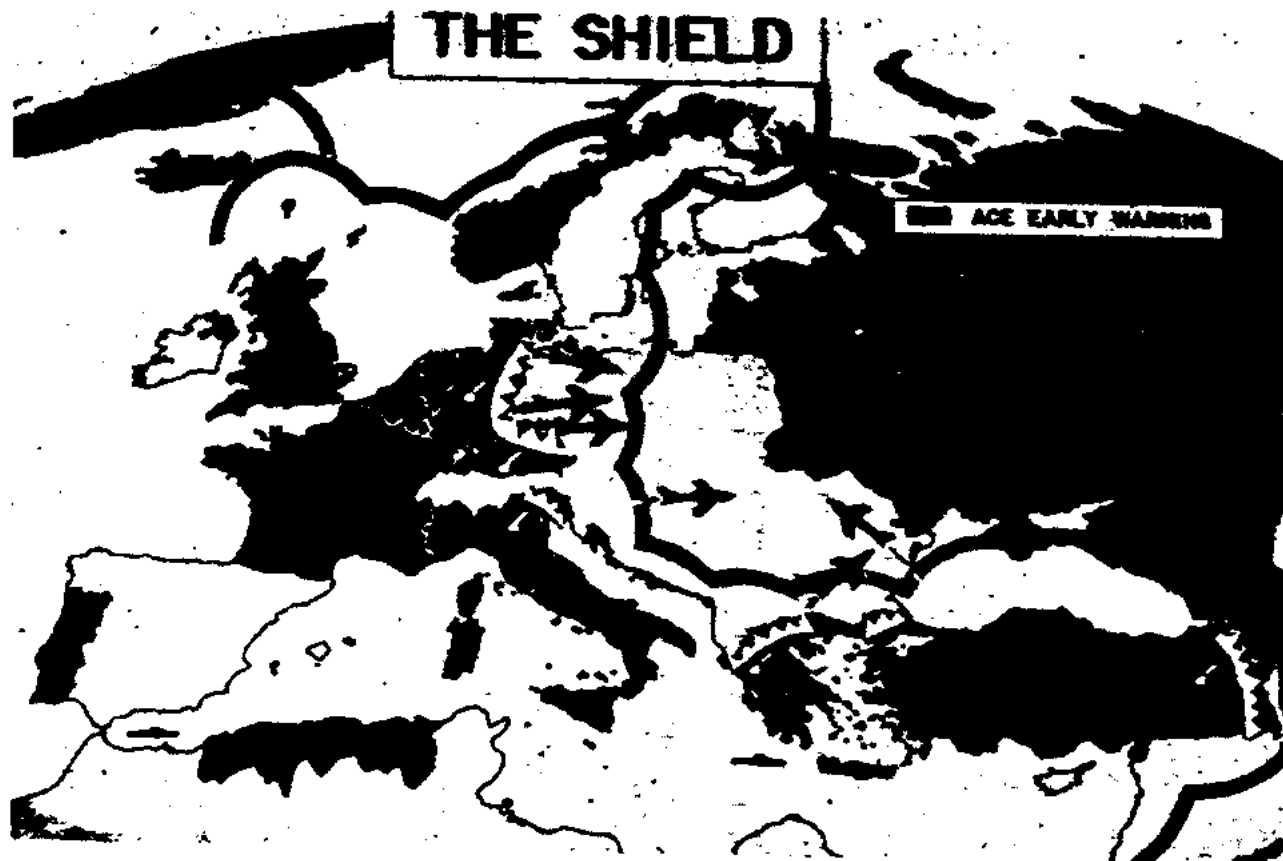
Senator ROBERTSON. General, you have mentioned the first function of this shield. If a probing operation, let us say, is getting out of hand and could result in an all out war, you want to cause a pause. How do you cause a pause?

General NORSTAD. I will explain that right now, if I may. This is answered by the second mission of the shield. I take this line here [indicating] as an example. This line is the critical central European area. If we have adequate forces, adequately equipped, and there is a clash, whether it is deliberate or whether it is the result of an accident, then it is stopped by these forces. If there were no such force, then it would be a very simple matter to cook up a situation where the Soviets could come across, and we could be piecemealed to death. It is by the fact that we have forces armed with appropriate weapons actually on the line, adequate to hold for a period of time, that we compel that pause. This force must be great enough so that for a period of time it can stop an incident, stop an action that is started and give time to compel this critical decision. There will be time to weigh the consequences. That is the second and most important function of the shield force. By this pause you contribute to the deterrent. They not only have to think of the shield which is opposing them, but they also must consider the action of all the forces, including the retaliatory forces. So, the shield forces bring together all of the forces and all of the factors of the deterrent around the world. This is the most important function of the shield.

Senator SALTONSTALL. General Norstad, do you mind being interrupted?

General NORSTAD. Not at all, sir.

CHART 5



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## EQUIPMENT OF FORCES

Senator SALTONSTALL. You have used the words now "conventional forces." You have used the words "atomic war" and you have used the words, "as these troops are lined up, the first line of defense, so to speak." Now, the thing that disturbs me very much is how are you equipped for conventional weapons? How are these forces equipped? Are they up to date weapons or are they falling behind in their conventional weapons as opposed to strategic weapons? Do you care to go into that now or later?

General NORSTAD. Perhaps I should go into that a little bit later, but I will answer it in general now. The only way you can carry out this task on the basis of minimum forces is to put in the hands of the forces the most effective weapons you have available, most of which employ nuclear warheads.

In addition to the nuclear capability, they do retain some conventional warfare capabilities. But the heavy punch, the real support for these forces still depends upon the fact that they can use atomic weapons.

Senator SALTONSTALL. But those are weapons of a tactical character.

General NORSTAD. Yes.

Senator SALTONSTALL. Those are not weapons of a strategic bomber.

General NORSTAD. That is right. I am talking now about what may be called, perhaps erroneously, tactical or battlefield weapons.

Senator SALTONSTALL. That is what I am talking about. Are those troops we are talking about equipped with modern weapons?

General NORSTAD. I will answer that with just another chart, sir.

Senator SALTONSTALL. All right.

Senator YOUNG. I am not clear as to how you create a pause when the troops are equipped with atomic warheads and whatnot, once the fighting starts. Is there any way to stop it?

General NORSTAD. The point is that these forces must be designed to meet a full range of situations up to a general war. If you have a general war, then it is going to take all of the forces available. These shield forces alone are not going to be able to handle a general war situation. They are going to be able to hold and defend only for a limited period of time. As I said before, the great danger of a war is one that could result from a mistake, an error in judgment. By having shield forces well forward we can stop such an unfortunate incident, unless there is a determined allout effort to push through. If they decide that they are going to an allout war with all of its consequences this does not apply. The shield is designed to enable the deterrent to meet the very wide range of situations short of a general war which could rapidly develop and expand into a general war.

## QUEMOY INCIDENT

Senator CASE. Would you say that aside from not being equipped with atomic weapons, even the tactical kind, that the Chinese Nationalist forces at Quemoy produced a pause so to speak there? I was wondering if that might be a little illustration, a minor illustration?

General NORSTAD. Yes, it could be. I am not familiar enough with that, Senator, but certainly the opposition, if not the actual forces, was indicated by the operation of the forces.

Senator ELLENDER. There was no contact between them, though.

Senator CASE. There was a heavy shelling. We also beefed up the light bombers over there considerably, enough to make them take a second look at it.

General NORSTAD. There was a contact in the air.

Senator ELLENDER. When you speak of pause, you mean that the soldiers we have there will hold back the attack?

General NORSTAD. That is correct.

Senator ELLENDER. The length of that pause will depend on our ability to hold them back.

General NORSTAD. That is right.

Senator ELLENDER. In the meantime it is your idea that the enemy will be thinking whether to go through? That is where I don't follow you.

General NORSTAD. In the meantime it is our thought that if we can hold him, should he start and, then he punches through, it will be the result of a deliberate, cold-blooded decision on his part to start world war III. In my judgment he will not make this deliberate decision. It is improbable that he will do so because the cost is too great, and we must continue to make the cost too great.

Senator ELLENDER. Don't you think if he starts, he will want to go through with it?

General NORSTAD. No, sir; not necessarily.

Senator ELLENDER. You don't?

General NORSTAD. There are many conditions. In the first place, he could make a mistake, say in a less-than-critical area. He could confront us with a situation and let us stew and worry about it. This, of course, could lead, unintentionally, to an all-out war. I would like to stress that point later.

I would like to go back a moment to the functions of the shield. One is defense of the NATO area; a second is to force the pause and to compel him to weigh the total cost of continuing the action.

#### SUPPORT POLICY BY POWER

There is a third function that is related to the second. Policy—successful policy—has always been supported by power. We may not like that, but it is a fact of life. Let us say we had no substantial forces or that we let those forces drop down in numbers and effectiveness to the point where they were simply token forces. That would be worse than no forces. Then what would be the power supporting our policy in this vital area? There is only one place you can turn for the necessary power; that is to the heavy strategic forces. Now as absolutely essential as those heavy retaliatory forces are, do we want to put ourselves in a position where we have no choice except all-out retaliation on the one hand and absolutely, utterly nothing on the other? This is the problem we face. This is the question we have to answer. This is the question we are trying to answer with these shield forces. These forces as they are designed give us a response to situations that are less than the ultimate, with means that are less than the ultimate.

I do not want to suggest here that I am advocating—in this critical European area—the possibility of a limited war. I do not believe there is a probability of a limited war remaining limited in this very vital and critical area. I think it is extremely dangerous to assume that once an engagement has gotten to the proportions where you could dignify it by calling it limited that it would long remain limited.

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Then why do we want the shield forces? Because, if we have these forces, we have the means of dealing with the critical situations described and dealing decisively with them. We will at least discourage them from occurring. Without the shield forces there is only one thing that is sure in life; that is, that we will be continually confronted with these critical problems, with these decisions that we will have to make, and as a consequence we will be destroyed piecemeal. Therefore, we must have these essential forces that are designed not only to give us military flexibility and maneuverability, but far more important, to give support to our political policy and to give some flexibility and maneuverability to our diplomacy in a very critical area.

This is the justification for these forces. This is why I say there will be increasingly greater justification for these shield forces for the period of the next 10 years. That is the period when we move into the era of nuclear plenty and missile delivery. It makes it easier than it was in the last 10 years, because they become even more necessary as the destructiveness of weapons becomes greater.

Senator SALTONSTALL. General, are you free to be interrupted?

General NORSTAD. Yes, sir.

Senator SALTONSTALL. Or do you want to go on?

General NORSTAD. No, sir; I am through on that particular point.

#### DECISION ON USE OF NUCLEAR WEAPONS

Senator KUCHEL. If an active aggression takes place, and the shield is employed to hold the line and force the pause, it is assumed, is it not, that in holding the line, the entire arsenal you have, including whatever nuclear arsenal you have would be employed?

General NORSTAD. Would be used if necessary.

Senator KUCHEL. That would be a military decision at that point?

General NORSTAD. Declaring a war in this country is the responsibility of a political authority. But once the decision is made, then it has been agreed within the alliance that we will use the means available to us, including atomic weapons, for our own defense, whether or not an enemy used those weapons first.

Senator KUCHEL. Short of a political decision, when militarily you were faced with the fact that an act of aggression had taken place, would there be any right on the part of the NATO military command to make that decision?

General NORSTAD. Yes, within the previously approved rules and policies of the alliance.

Senator DWORSHAK. What happens if your Shield Forces are overwhelmed promptly?

General NORSTAD. They could be overwhelmed, but if they are overwhelmed, that means a decision has been made to start World War III. That means that the Soviets have decided they want to destroy Russia, among other things. If they have taken this decision, these Shield Forces will not alter that decision.

Senator DWORSHAK. That means also that if NATO forces are inadequate, the full responsibility of meeting the Communist threat devolves upon the United States.

General NORSTAD. That is correct, sir. Of course, the United Kingdom Bomber Command makes its contribution.



## ATTITUDE OF GENERAL DE GAULLE

Senator SALTONSTALL. General, I respect very highly the diplomatic work you have been doing. You and I started in together in 1947, and I know your abilities. Now the thing that disturbs me very much in what you have just said and what I have been reading is, first, you have the French withdrawing their fleet down in the Mediterranean. Then you have the news today. Now, I assume that the newspaper reports may be right that that is a trading effort on the part of the French to have us give them the atomic secrets, if you will. Assuming that everything you have said, if France pulls her troops out and we pull our squadrons out, if the French pull out of the fleet down in the Mediterranean, the French are then to all intents and purposes not carrying on their share of the load with the manpower which is the essential thing which we count on in giving them weapons. I know that you have been working very hard on this. Are you willing to tell this committee what you think about what Mr. De Gaulle, President De Gaulle, is playing, what are his cards, what is his game?

General NORSTAD. May I take this off the record?

Senator SALTONSTALL. To me that is the fundamental issue right at the present time.

General NORSTAD. If I may, I would like to speak on this, but I would like to keep it off the record.

Chairman HAYDEN. All right.

(Discussion off the record.)

## DEVELOPMENT OF NATO FORCES

General NORSTAD. Now, there have been three critical points in the development of the NATO military forces. There was in the period from 1951 to 1952, the so-called Lisbon goals. Those requirements are indicated here as MC-26, a Military Committee document which stated those requirements. At that time I should say that it was generally believed that war was imminent. I must say also that we could not consider atomic weapons. So, the resulting forces were very large.

General Eisenhower could only propose at that time a strategy or concept which would hold the line of the Rhine. This was a politically unacceptable objective.

For example, in 1951, the Lisbon goals for the Center, and I am talking about the Army Forces, called for 35½ divisions in being and employed on the west of the Rhine to hold the general line of the Rhine.

In addition, we required 33 additional divisions, first and second echelon, that could be made available in days or weeks, certainly all of them within 30 days. If we were to get this in terms that we could compare today, then we have to add at least the 12 divisions that the Germans are committing to bring this figure up to something over 80 divisions.

After Lisbon it became apparent that because of the strength that was being created, and more importantly, because of the determination that was being evidenced by the creation of this strength, the threat was no longer as imminent. It also became apparent that we were getting a greater number of atomic weapons. Moreover, we were getting the types of weapons applicable to the European situa-

tion. Therefore, in 1954, there was another plan. This was labeled MC-48. We dropped down from 81 to 53 divisions, 32 of which were D-Day, in place, in this forward area.

In addition, we took on a task which was at least twice as great as the one before, because we moved across the Rhine. We began to develop what we call today "a forward strategy."

The third critical point is what we call MC-70. This is a plan which carries us from a position in 1958 up to 1963. This is a 5-year plan.

(Statements off the record.)

Senator ELLENDER. Now?

General NORSTAD. Yes, at the present time.

Senator ELLENDER. Will you tell us where the divisions are from?

General NORSTAD. Yes.

Senator ELLENDER. That is, active, ready to go, and trained as we are?

#### COMPARISON OF DIVISION STANDARDS

General NORSTAD. The divisions of no two countries are precisely the same either in training, equipment, or state of readiness. But they are up to the standards we have established for this requirement.

Senator ELLENDER. What are those standards compared to ours?

General NORSTAD. In some respects, particularly as concerns equipment, our divisions must be considered at least the equal of any in the world, probably better than any in the world. I would say, from the standpoint of training, equipment, position, all things considered, that the U.S. 7th Army located in Germany is the best army in the world, the best army the United States has ever maintained in a time of peace anywhere, at any time. I would put the 7th Army second to none.

(Discussion off the record.)

Senator HOLLAND. The Dutch and Belgian troops that are in Germany, to what commander are they assigned?

General NORSTAD. They are assigned to the Northern Army Group. There are two army groups. The Army group commanded by General Eddelman has in it the American divisions and the French divisions, and some of the German divisions. The Northern Army Group is commanded by General Sir Dudley Ward, a British officer. That has the British divisions, the Belgian divisions, the Dutch divisions, and the Canadian brigade.

#### TROOP DEPLOYMENT

Senator ELLENDER. Why should we have a part of the Netherlands division in Germany and part in the Netherlands?

General NORSTAD. Because that is the best deployment. These are D-day divisions. We don't count these D-day divisions unless they are in a position where we want them. Of course, the Netherlands extends to the north there [indicating], and is in an extremely vital position. One of the criteria against which you check the D-day status is their deployment. Are they in position? There is no use having a division that can't be in a position to perform its purpose. So it is not considered a D-day division unless it is in position.

(Discussion off the record.)

General NORSTAD. Now, if I may jump to the Navy, I am talking now only in the southern area. In 1951 and 1952, there was a requirement reckoned in thousands of tons—

Senator HOLLAND. Did you purposely leave out reference to the other factor there which I take it is the atomic factor, the column between MC-48 and MC-70?

General NORSTAD. This is where we actually stood 6 months ago as opposed to our end 1963 position. These are requirements, you understand. These are requirements established for forces we did not have, but we said we were working toward the achievement of those. This is [indicating] what were actually here. This is where we are going by 1963.

I did not show Army for the southern region. You see there is a corresponding drop there in 1958. We have gone from that strength down so that in 1963 we only want [security deletion] of which are D-day, opposed to [security deletion] which were D-day before.

Senator HOLLAND. Are there any Turkish and Greek divisions?

#### NAVAL TONNAGE

General NORSTAD. Yes, sir. Turkish, Greek, and Italian.

There was a requirement for 1,800,000 tons of naval shipping in the Mediterranean, 1,310,000 tons of which were on a D-day basis. I do not know the basis on which it was computed. It was not quite capable of being met under any circumstances. We have thrown out the mothball fleet which is expensive and which in that particular area will not contribute to us. We have concentrated instead on a D-day force. As a result, we have dropped the requirement for naval tonnage down considerably. At the present time we have something more than what is required, but there is a very high rate of obsolescence. In the future, we are going to have considerable difficulty meeting this figure as opposed to the present higher tonnage of obsolete, wornout vessels we now have.

Senator ELLENDER. When do you expect to meet that requirement?

General NORSTAD. We hope to meet it by 1963.

Senator ELLENDER. What do you have now?

General NORSTAD. We have more than that now, Senator.

Senator ELLENDER. You would not count one which has a rusty bottom?

General NORSTAD. No. Actually against that figure at the present time we have a substantial force. On the other hand, some of the ships will have to be replaced. I cannot give you precisely that figure.

Senator ELLENDER. How much of that figure is the 6th Fleet, or classified as American?

General NORSTAD. I can give you that.

Air Forces follows roughly the same pattern. In the central region there was requirement in 1962, for 6,500 aircraft. This was dropped down markedly.

Senator ELLENDER. Are they Turkish?

General NORSTAD. Turkish, Greek, and Italian.

## PARTICIPATION BY ITALY IN NATO

Senator DWORSHAK. To what extent did the Italian peace treaty place restrictions on rearming Italy which interferes in any way with your NATO planning in that country?

General NORSTAD. The peace treaty limitations are not interfering in any way.

Senator DWORSHAK. Are they still observing those restrictions in Italy?

General NORSTAD. I remember the limitation on civil air, for instance.

Senator DWORSHAK. We placed very rigid restrictions on Italy, and I was wondering whether her participation in NATO is being impaired in any way by that treaty.

General NORSTAD. It is not being impaired, because we are constructing some new NATO aircraft in that area.

Senator ROBERTSON. Before you leave the Air Force, General Gruenther told us repeatedly that we were away behind in our air power. How are we situated now?

Senator HOLLAND. This does not include strategic.

General NORSTAD. This does not include the strategic force. I have not shown here——

Senator ELLENDER. SAC is our own force.

General NORSTAD. That is right. I have not shown the Soviet equivalent. I simply have shown what we believe from our standpoint is necessary to do our particular task. Frankly, I believe that the wrong impression is sometimes created by flashing this big red sign of 21,000 Soviet aircraft and 175 army divisions in front of us at all times. We tend to equate that figure with this figure (indicating). There is no relationship. The Russians have a lot of problems with those airplanes. If we took all our airplanes we would have them, too.

Senator ELLENDER. You flashed them before us yourself.

General NORSTAD. Yes, sir.

Senator ELLENDER. As you recall, the last time you were here you used the same figures. Apparently there has been no increase in the power except a few more modern airplanes.

General NORSTAD. That is right. I think you would see it is smaller than the last time I showed you.

## RUSSIAN BOMBER STRENGTH

Senator ELLENDER. What about what we read in the papers, that we are prepared to meet a foe that is not as strong in the air as supposed? It has been all over the papers yesterday and the day before, that the bombers we thought Russia had are just nonexistent. Do you have any information on that?

General NORSTAD. I have not seen that.

Senator ELLENDER. You have not seen that?

General NORSTAD. No, sir; I have not. That would not affect this particular picture.

Senator ELLENDER. Why not? Because you are building for that.

General NORSTAD. I don't know specifically what the article you refer to mentioned, but we are building this force against capacity which we know exists.

Senator ELLENDER. That is 175 divisions and 20,000 airplanes. —

General NORSTAD. Well, it is something less than 20,000 according to our figures. I will give or take 15 percent.

Senator ELLENDER. Those are the figures you gave us last year.

General NORSTAD. Yes, sir.

Senator ELLENDER. General Gruenther gave us the same figures in 1953.

General NORSTAD. I think they are generally correct figures.

Senator ELLENDER. As I understood it was to meet that force that all of this was—

General NORSTAD. No, sir, it is not to meet that force. It is to do a particular job. It is quite wrong to start equating, to get into the numbers racket. There are certain tasks we must accomplish. This force we need is designed to carry out those tasks against the opposition we know exists.

Senator ELLENDER. All right. What do you know? That is the question. You ought to be able to tell the committee what you know.

General NORSTAD. I don't know what the specific question is, Senator.

Senator ELLENDER. You say you do it in the light of what you know, I presume, about the enemy.

General NORSTAD. That is correct.

#### ENEMY FORCES

Senator ELLENDER. What do you know about the enemy?

General NORSTAD. Our forces are designed in number, effectiveness, type of weapons, to accomplish certain specific operations in the event of war against targets, against forces which we have reason to believe will exist or may well exist in a particular given area for a specific task.

Senator ELLENDER. What are those forces as of today, so far as you know?

General NORSTAD. You mean the Russian forces?

Senator ELLENDER. I am talking about the enemy. What are the forces?

Senator CASE. While they are getting that chart, you have differentiated between the NATO forces as such, and SAC, our own forces.

General NORSTAD. Yes, sir.

Senator CASE. Do the British and French also have indigenous forces which they control, apart from NATO?

General NORSTAD. Yes, sir.

Senator HRUSKA. Are they of SAC capability?

General NORSTAD. The British have a Bomber Command which is made up of very good medium bombers with an atomic capability. They also have some light bomber capability which they turned over to NATO. Their Bomber Command is in exactly the same relationship to us as the U.S. Strategic Air Command. In other words, the British Government has taken on the responsibility for performing certain operations in our behalf, just as the U.S. Government has taken on the responsibility for operating in our behalf. I must say in the first place that this [referring to chart] represents no drastic phenomenal change since the last time it was shown.

Senator ELLENDER. I was saying to myself, it is the same chart as I remember it.

General NORSTAD. We are probably a little more conservative than some of these others, because we don't show 20,000 aircraft. We show 18,000. If we are within 15 percent one way or another, it makes no difference. We show 175 divisions. We have carried that figure for several years. We have no reason for reducing it.

Senator HOLLAND. That means their whole force?

General NORSTAD. Whole force. This part of the 18,000 aircraft which they could bring to bear against us becomes more limited. This shows where the situation is at the present time. It is roughly the same. These figures are modified but not in principle.

Senator SALTONSTALL. General, would it be fair to say that our forces constitute a physical deterrent that will have a great psychological effect on both our enemies and ourselves? Isn't that the general purpose of your forces in NATO?

General NORSTAD. They will have not only a great psychological factor, but they as forces will be useful in actually preventing an over-running for a limited period.

Senator SALTONSTALL. I said limited deterrent that will have great psychological effect on both enemies and ourselves, and that is the whole principle on which you are working?

General NORSTAD. That is right. That is certainly an important aspect. The great thing is that because of their physical presence and because of the effect that they will have, that they will make a very necessary contribution to the deterrent, and to the prevention of war.

Senator SALTONSTALL. And added to that is your personal ability to be a diplomat, a statesman, and at the same time a military general.

General NORSTAD. From the questions you raised before on the nine squadrons, I don't think I succeeded too well.

Senator ELLENDER. General LeMay told us some time ago that SAC was really the deterrent that keeps Russia in line.

#### ESSENTIALITY OF SAC

General NORSTAD. The Strategic Air Command is an absolutely essential element of the deterrent and never forget it. If you don't have it, if it is not effective, then I don't know on what basis we will plan any deterrent action. We assume its effectiveness. It must be kept effective. My earlier statement was that where 10 years ago we might have thought of it as the only deterrent, now it is one of several elements essential, but one of several elements comprising the deterrent.

Senator ELLENDER. General, will you tell us this: As I pointed out a moment ago, the divisions are the same, 175, and the airplanes total 18,000 plus. What is your latest information as to the difference in the quality of planes you talked to us about, and General Gruenther talked to us about in 1953, and as of this date?

General NORSTAD. You are talking of the quality of the planes?

Senator ELLENDER. Yes. What changes have taken place since that time?

General NORSTAD. In 1953, the Russian Air Force was essentially a conventional type of aircraft. They were an internal combustion engine air force. They are now to all intents and purposes a completely jet air force. We have made much the same transition. I

am of the general opinion that our own aircraft have at least kept pace with the Soviet aircraft in the military field. I am not necessarily an expert or technical authority on this, but I am impressed with the fact that the Russians come out with an airplane that looks for all the world like the B-47. I think it performs the functions of the B-47. I was impressed with the fact that it came out about 5 to 7 years after the B-47. They went to a bigger airplane, and we were very impressed with this great strategic strength they were showing, a bigger airplane, and it looked impressive. I was concerned with the fact that they developed this. I also noted that it looked an awful lot like the B-52. The only difference is that it came in 5 years after the B-52.

Senator HOLLAND. On that basis they are further away from their targets than our bases are from theirs.

General NORSTAD. Yes, sir. The bases we have you must remember are strategic bases.

#### RUSSIAN BOMBERS

Senator ELLENDER. It is your information that the bombers that the Russians have are modern and as modern as ours?

General NORSTAD. I don't think I said that.

Senator ELLENDER. No, but is it your information?

General NORSTAD. From my general following of the subject, I think we must assume that the Soviet fighter bombers are first-class modern aircraft. I would certainly so assume. Whether they are quite as good as ours, or whether they are better is a matter for the technical people to evaluate. My general reaction on the basis of history would be that if I had to bet, I would bet on ours. I am sure that if over the last 15 years you had always bet on ours, you would have won and would be money ahead. I am still inclined to do that.

May I proceed to the question of missiles, because I do want to give you some specific facts?

Chairman HAYDEN. Yes.

General NORSTAD. Now, I have shown a reduction of almost 2 to 1 in the forces. I hope too that I have indicated that we have either reached the strength requirements, or are rapidly approaching the overall strength requirements.

#### NEW WEAPONS PLAN

Now, there are certain requirements, it is true, but the reason we are doing that is of course because of the new weapons. We are creating under MC-70, what we can call a new weapons plan. That is the character of that particular plan. We are proceeding under the agreement made by the heads of government in December 1957, and creating an atomic delivery capability throughout the alliance where it is needed. We are doing this regardless of national source of those forces or geographical assignment or command affiliation. However, I want to make it very clear, that this does not mean that we are turning over the possession of any atomic warheads; we are not. The warheads remain in the possession of the United States, but again, as a result of the heads of governments decisions, we are enlarging the stockpile facilities which we have created to meet the requirements of the U.S. forces.

Now, I want to tell you where we are at the present time, and then move forward to 1963. This shows schematically the missile position in 1959.

Senator ELLENDER. The fleet squadrons are not called upon by NATO!

General NORSTAD. Yes, sir. I count on them in precisely the same way that I count on land-based units, and they are supported before you and in the budget on that basis. They have their assigned targets against which they will operate in case of war, just exactly as do these land-based units. I place equal dependence upon them.

Senator ROBERTSON. General, in that connection, the House cut out a new carrier and wanted to put emphasis on the submarine. Will you give us any comment on that?

General NORSTAD. I am tremendously impressed with the submarine. I must very frankly admit that. I think that while there may be some limits to the number that could and should be used, I think that it has some very important applications.

Senator ROBERTSON. The submarine is an offensive or defensive weapon?

General NORSTAD. Offensive.

Senator HOLLAND. You know about the successful delivery of the glider yesterday from the submarine.

General NORSTAD. Of the REGULUS, yes, sir. I am talking now primarily of the POLARIS, the intermediate range ballistic missile.

Now may I move to 1963, where we are moving. As I indicated, the character of our whole plan is the new weapons plan. This shows schematically the change. It is only schematic. I will very briefly run over the main changes.

(Discussion off the record.)

General NORSTAD. That gives you a quick recapitulation of the changes between 1958 and 1963.

Senator HOLLAND. All of these bases shown in France, both aviation and the land missiles, are subject to being affected by the decision of yesterday.

General NORSTAD. Really the only ones that could be affected would be the nine squadrons, the nine squadrons we were talking about.

Senator HOLLAND. You were talking only about nuclear delivery.

General NORSTAD. Yes, sir.

Senator HOLLAND. That includes all?

General NORSTAD. This is not a decision on the part of the French Government. I think they have said that agreement had not been reached. I don't think there is any decision on it.

Senator HOLLAND. You do have alternative bases if they do come to a decision.

General NORSTAD. We may be compelled to resort to that.

Senator CASE. Are the bases in Turkey in being there?

#### MOVEMENT OF SQUADRONS

General NORSTAD. Yes. Of course, more than that are in being. These present atomic delivery squadrons and only atomic delivery squadrons, bases that could be used for that purpose, rather than the total number of bases.



Senator MONRONEY. General, on the movement of these nine squadrons, your planes have sufficient range so that if they were based at England, you could still reach the targets?

General NORSTAD. Yes. I would not want to suggest that we would not prefer to have them in eastern France, because we would. They are in a better position there.

To give a little ancient history, but I think it leads to an answer to a question you raised, Mr. Chairman, this is a recapitulation of what the military assistance program has done in the creation of these forces. We are taking here the major items of equipment in the NATO army divisions. Major items would include the combat vehicles, like tanks, artillery pieces, armored personnel carriers, administrative vehicles, like trucks, barges, supplies, ammunition, communications, electronic equipment, and training equipment.

As of the first of this year the Belgians had 100 percent of the major items of equipment in their army division; 74 percent of that has come from military assistance programs sources.

The Danes had 96 percent; 83.5 percent come from MAP. The French have 90 percent; 73 percent has come from MAP. Germany had 82 percent; 33 percent has come from MAP. That goes to the original grant made in 1955, and there have been no additions to that.

Senator ELLENDER. That is about a half billion dollars, as I remember it.

General NORSTAD. It was in equipment. I don't remember the value of it. Now I think they have already contracted for three-quarters of a billion dollars in United States that Germany is buying from us at the present time. Greece has 83 percent of its equipment; 77 percent, and so on. The Netherlands, 52-49. Down to the United Kingdom where you have 100 percent equipment, only 3 percent of the major items has come from the aid program.

#### MILITARY ASSISTANCE PROGRAM SUPPORT

Senator ELLENDER. In the case of Italy, and let us say Greece and Germany, but particularly Greece and Italy, are we still increasing? Will that blue line go up much higher?

General NORSTAD. In Germany it will go out.

Senator ELLENDER. I am talking of Greece and Italy.

General NORSTAD. In Greece, I would say it is quite unlikely that there will be any very drastic drop in Greece. You have two particular problem areas, sir. They take more than a half of every aid dollar that is available. One is Greece and the other is Turkey. They are essential, they are strong in the support of the United States and NATO. They are out there on the flank by themselves. It is of the greatest possible importance that those forces be maintained. To a very large extent it is being done by American equipment. Incidentally, those are the only NATO countries where defense support money is made available.

Now, from the ship tonnage, you see this position is not very good in the case of Denmark. There is a joint construction program proposed for Denmark because their ships are becoming obsolete. There is a joint shipbuilding program designed to remedy the situation.

Germany, of course, is just coming into the naval picture, so they have not met very much of the requirement.

Senator ELLENDER. The French will furnish 61.2 percent.

General NORSTAD. 61.2 percent of the ships actually in the French active forces have come indirectly or directly from the military assistance.

Senator ELLENDER. Have those been withdrawn?

General NORSTAD. No, sir. They have only withdrawn that 1 carrier and 12 destroyers from the Mediterranean. They have not changed their status whatsoever in the contribution to Atlantic forces.

Senator MONRONEY. Does that include Navy air?

General NORSTAD. That is ship tonnage.

#### AIR FORCES

Now, on air forces, this chart generally gives you the situation. Greece, Italy, Norway, and Turkey are 100 percent MAP. They are very stalwart allies, in a very critical position, critical to them, critical to the alliance, critical to the security and the policy of the United States.

For Britain, 19 percent of the equipment they have has come directly or indirectly from MAP, and I believe all of that has come from the support that was given to the construction of the British type of aircraft about 4 or 5 years ago.

Senator CASE. Of course, Spain is not a member of NATO but where we have some of our SAC bases in Spain, they are developing a Spanish Air Force integrated in one instance there; at least they are using part of the same field.

General NORSTAD. Yes, sir.

Senator CASE. Are they available or would they be in support of our operations there?

General NORSTAD. I would think that they would be in the sense that the Spanish forces in their problem of defending Spain would also give support defense to our bases in Spain. I think that is one of the bases on which support has been given to Spain for this purpose, but they are not on call to NATO.

Senator CASE. They are sort of outside the pale, but in the same way they might make their contribution.

General NORSTAD. To their own defense, and in defense of the SAC bases, but not to NATO as such.

Very quickly, in view of the time—we have taken the combat forces now maintained in the alliance, excluding the United States and Canadian forces. Working on a slice basis, using the U.S. division slice or wing slice basis as appropriate, we have computed the size of the force the United States would have to maintain in Europe to carry out the NATO mission if the United States were doing it alone. We find that this is 8½ million men or the equivalent of 3½ million men in combat units and in their direct support that are involved or are benefiting by the aid program.

#### ESTIMATED FORCES TO ACCOMPLISH NATO MISSION

Senator ELLENDER. Where are those 8½ million people? Do you count the reserves and everything else?

General NORSTAD. If you take the U.S. Army as the basis, we have computed a division slice. This works out to be about 40,000 men.

Multiplying this by the number of divisions gives you the Army equivalent. We followed a similar procedure for the naval and air forces. You not only are paying for the men who fire the gun, but you are getting the backup slice as well. We have taken on that basis what would be the equivalent American Defense Establishment that would be required in Europe to accomplish the NATO mission. That comes out to  $3\frac{1}{2}$  million men. This is the NATO contribution equivalent to  $3\frac{1}{2}$  million men, and does not consider forces required at home or elsewhere in the world.

In 1963, I simply show there that it remains essentially the same. It is 3.7 million.

This I think goes to your question, Mr. Chairman. This goes from 1950 to 1958. The green is national defense expenditures of the NATO countries less the United States and less Canada. The orange is the deliveries of equipment or deliveries of money or equipment to these countries from U.S. sources. These are deliveries, not appropriations, not authorizations. These are defense expenditures. These are deliveries. You see, you run from 1950 where we have \$6.3 billion to a peak here of \$12.2 for expenditures and \$3.2 billion in deliveries. This reflects of course the formation of NATO, and the Korean war, and the threat in 1950-51, and deliveries taking place in 1953. This comes down now to deliveries in 1958, about 1 billion, and defense expenditures up to \$13.3.

Chairman HAYDEN. They have been doing their share, then?

General NORSTAD. Yes.

Senator ELLENDER. What is the green?

#### NATIONAL DEFENSE EXPENDITURES BY NATO

General NORSTAD. National defense expenditures by the NATO countries less the United States and Canada.

Senator ELLENDER. Where did you get that information? What is the basis for it?

General NORSTAD. It was based on the defense presentation book for Europe.

Senator ELLENDER. I certainly would like to get it.

General NORSTAD. Their defense expenditures are available, and also their military assistance deliveries.

Senator ELLENDER. How much have we spent in Western Europe all together?

General NORSTAD. You mean for MAP?

Senator ELLENDER. Yes.

General NORSTAD. A little over \$12 billion. I know my presentation has not been a detailed presentation for the committee but I think this information is all in the printed books.

Senator ELLENDER. I would be curious to find out.

Senator HOLLAND. This \$14.6 billion.

Senator STENNIS. If the general has other major points to make, I would appreciate his having a chance to then make them. I cannot come back this afternoon.

General NORSTAD. Senator, I have completed the presentation.

Senator STENNIS. I am going to stay with you now.

General NORSTAD. I have completed what I proposed to say. So it is now entirely up to the committee for questions.

## ADDITIONAL PERSONNEL FOR NATO

Senator DWORSHAK. General, a few weeks ago when we faced the Berlin threat, we read in the press that you sent out a rush call for additional American personnel for NATO. What is the significance of that? What were you deficient in at that particular time?

General NORSTAD. I did not send out a rush call but requested additional logistics support troops. I did not ask for additional units. I asked for additional individuals to bring up to operating strength the units that we had.

Senator DWORSHAK. Were they specially trained personnel that you did not have available over there from other countries?

General NORSTAD. Under normal conditions you sometimes are quite happy to let the manning tables drop down. If you feel you must man these organizations 24 hours a day, then you have to build back up again. These were just to take care of that.

Senator DWORSHAK. They were not special skills?

General NORSTAD. In general, they were not specially trained. They were not highly technical people.

## U.S. CONTRIBUTION TO NATO

Senator ELLENDER. General, do you know the percentage of the NATO obligation made by us?

General NORSTAD. Percentage in units?

Senator ELLENDER. In furnishing material from MAP. We have been using the figure 38 to 40 percent. Is that right or wrong?

General NORSTAD. I don't know if we show it that way.

Senator ELLENDER. I notice you show that differently. You show it in glowing figures. What I would like to find out, and I presume what the committee would like to find out, is what percentage of the obligations the NATO countries furnish comes from the United States.

General NORSTAD. I tried to do this in showing you the major items of equipment, and aircraft and naval vessels, and the percentage by country. So it would be a composite of the separate countries. It is rather dangerous, however, to take a composite.

Senator ELLENDER. Could you figure out whether or not it is 38 or 40 percent, or just what percentage of the NATO obligations we are assuming?

General NORSTAD. I think it could be computed. General Guthrie, could you have that computed?

General GUTHRIE. Yes, sir; we can present that.

General NORSTAD. You make that available to the Senator.

General GUTHRIE. Yes, sir.

(The information referred to follows:)

## DEFENSE EXPENDITURES—NATO

Reference is made to the chart in the mutual security program—budget estimate fiscal year 1960, Europe and Africa volume, on the yellow page tabbed Europe entitled "Defense Expenditures and Military Assistance," which appears opposite page 1. Senator Ellender requested that the total U.S. contribution to defense be fitted into the chart rather than only U.S. MAP contributions.

The chart referred to was presented to the committee to relate total magnitudes and trends of U.S. military assistance to the total European NATO country defense expenditures (including Greece and Turkey but excluding the U.S. and Canada).

NATO defense expenditures were compiled on the basis of the agreed NATO definition of defense expenditures (see note (1) on chart attached) and for

countries like United Kingdom and France, in particular, includes an undefined amount of expenditures of a military nature not directly associated with NATO activities or commitments. On the U.S. side, the military assistance represents but a fraction of the total U.S. defense effort contributed through defense expenditures to NATO activities or commitments. No acceptable formula has been found which would provide a meaningful breakout of total U.S. defense expenditures between purely NATO activities or commitments, vis-a-vis all other defense activities. U.S. defense expenditures are made for any direct defense effort of the U.S., irrespective of multilateral or bilateral arrangements, if the need arises, as was the case of the U.S. military contributing to the recent support of the Lebanon Government in its crisis.

In view of the foregoing, the attached chart is submitted for comparison of total U.S. and Canadian defense expenditures (including military assistance) versus those of other NATO countries. This chart covers the time series from 1949 to 1958.

Senator Ellender's reference during General Norstad's testimony to a 38 to 40 percent U.S. contribution to meet NATO obligations is assumed to relate to the U.S. contributions to NATO common infrastructure costs. The U.S. contribution toward NATO infrastructure was 48.1 percent in 1950 and has been progressively reduced to the current U.S. contribution of 36.98 percent.

*Total and percent of gross national product, by calendar years*

**TOTAL DEFENSE EXPENDITURES**

[Millions of dollars]

| Country                                 | 1949         | 1950         | 1951         | 1952          | 1953          | 1954          | 1955          | 1956          | 1957          | 1958          |
|---|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Belgium-Luxembourg                      | 155          | 148          | 273          | 408           | 406           | 410           | 354           | 349           | 376           | 380           |
| Denmark                                 | 82           | 82           | 66           | 98            | 129           | 128           | 133           | 136           | 147           | 140           |
| France                                  | 1,140        | 1,331        | 2,098        | 2,984         | 3,301         | 2,788         | 2,624         | 3,498         | 3,714         | 3,800         |
| Germany (Federal Republic) <sup>1</sup> | 1,072        | 1,047        | 1,483        | 2,036         | 1,707         | 1,075         | 1,758         | 1,717         | 2,134         | 1,800         |
| Greece                                  | 34           | 66           | 87           | 88            | 92            | 114           | 123           | 135           | 145           | 153           |
| Italy                                   | 482          | 558          | 737          | 834           | 760           | 860           | 881           | 934           | 978           | 1,000         |
| Netherlands                             | 179          | 237          | 279          | 330           | 380           | 417           | 447           | 488           | 486           | 490           |
| Norway                                  | 52           | 80           | 80           | 116           | 149           | 160           | 133           | 135           | 147           | 146           |
| Portugal                                | 49           | 53           | 54           | 80            | 60            | 73            | 77            | 80            | 83            | 88            |
| Turkey                                  | 198          | 214          | 233          | 250           | 309           | 338           | 386           | 414           | 475           | 510           |
| United Kingdom                          | 2,387        | 2,498        | 3,352        | 4,668         | 4,916         | 4,638         | 4,492         | 4,785         | 4,720         | 4,600         |
| <b>Total European NATO</b>              | <b>5,820</b> | <b>6,281</b> | <b>8,740</b> | <b>11,868</b> | <b>12,197</b> | <b>11,630</b> | <b>11,407</b> | <b>12,674</b> | <b>13,405</b> | <b>13,278</b> |
| Canada                                  | 372          | 495          | 1,220        | 1,876         | 1,970         | 1,771         | 1,819         | 1,688         | 1,829         | 1,800         |
| United States                           | 12,580       | 14,560       | 33,398       | 47,852        | 49,621        | 42,900        | 40,816        | 41,773        | 44,548        | .....         |

**PERCENT OF GROSS NATIONAL PRODUCT**

| Country                                 | 1949       | 1950       | 1951       | 1952       | 1953       | 1954       | 1955       | 1956       | 1957       | 1958       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Belgium-Luxembourg                      | 2.3        | 2.3        | 3.3        | 4.6        | 4.6        | 4.8        | 3.4        | 3.3        | 3.4        | 3.4        |
| Denmark                                 | 1.9        | 1.7        | 2.1        | 2.8        | 3.4        | 3.2        | 3.2        | 3.1        | 3.1        | 2.8        |
| France                                  | 5.7        | 5.8        | 7.5        | 8.9        | 9.6        | 7.6        | 6.4        | 7.9        | 7.0        | 6.8        |
| Germany (Federal Republic) <sup>1</sup> | 8.3        | 4.5        | 5.2        | 6.4        | 8.0        | 4.6        | 4.2        | 3.7        | 4.3        | 3.4        |
| Greece                                  | 0.6        | 0.9        | 1.0        | 1.3        | 1.1        | 1.4        | 1.5        | 1.6        | 1.7        | 1.8        |
| Italy                                   | 3.9        | 4.1        | 4.6        | 4.9        | 4.1        | 4.4        | 4.0        | 4.0        | 3.9        | 3.8        |
| Netherlands                             | 2.9        | 4.6        | 4.9        | 5.5        | 5.5        | 5.9        | 5.7        | 5.8        | 5.3        | 4.9        |
| Norway                                  | 2.8        | 2.4        | 3.1        | 4.1        | 5.2        | 5.2        | 4.1        | 3.7        | 3.7        | 3.7        |
| Portugal                                | 3.5        | 3.4        | 3.3        | 3.6        | 4.2        | 4.2        | 4.2        | 4.1        | 4.2        | 4.2        |
| Turkey                                  | 0.0        | 5.8        | 5.8        | 5.1        | 8.1        | 5.5        | 8.2        | 4.8        | 4.9        | 4.2        |
| United Kingdom                          | 6.8        | 6.7        | 8.1        | 10.4       | 10.3       | 9.2        | 8.3        | 8.2        | 7.6        | 7.5        |
| <b>Average European NATO</b>            | <b>5.3</b> | <b>5.2</b> | <b>6.2</b> | <b>7.6</b> | <b>7.3</b> | <b>6.5</b> | <b>5.9</b> | <b>6.0</b> | <b>5.9</b> | <b>5.4</b> |
| Canada                                  | 2.3        | 2.8        | 5.8        | 8.0        | 8.1        | 7.3        | 6.7        | 6.3        | 5.8        | 5.6        |
| United States                           | 5.3        | 5.1        | 10.2       | 13.9       | 13.7       | 11.9       | 10.2       | 10.0       | 10.1       | 10.4       |

<sup>1</sup> For Germany, defense expenditures largely represent payments for support of allied forces stationed in Germany through calendar year 1956.

**Notes**

(1) Defense expenditures are on NATO definition basis. This definition covers expenditures from appropriations for military functions of the Department of Defense, the military assistance program, and expenditures, as appropriate, of other activities of the U.S. Government which meet the NATO definition of defense expenditures. Activities of the U.S. Government covered by the NATO definition of defense expenditures are the Atomic Energy Commission, Coast Guard, National Aeronautics and Space Agency, Selective Service, Veterans' Administration (National Servicemen's Indemnity), and a portion of the program of the International Cooperation Administration.

(2) Percentage calculations are based on gross national product at market prices.

(3) Precise comparisons of the levels of defense expenditures between the European countries and the United States are not feasible. The conversion into dollars has been made on the basis of official foreign exchange rates, and the purchasing power of the dollar is appreciably higher in most European countries than in the United States. Intra-European comparisons of the converted dollar figures are subject to similar limitations. Adjustments to make figures truly comparable cannot be made.

## U.S. CASH PAYMENT

Senator ELLENDER. You have made a fine showing for the allies on this chart.

General NORSTAD. I hope I have made a fine showing for the United States, too, Senator.

Senator ELLENDER. I would like you to put in the record, if you will, how much we are providing for military assistance this year?

General DUNN. \$714 million.

General NORSTAD. What are we talking about? Are we talking about the MAP to Europe?

Senator ELLENDER. Yes.

General NORSTAD. The tentative breakdown on that gives NATO Europe \$714 million.

Senator ELLENDER. What will that be used for?

General NORSTAD. That is in the book; a good part of that is used for new weapons.

Senator ELLENDER. Can you tell us to what countries?

General NORSTAD. It is in the book, sir.

Senator ELLENDER. What book?

General NORSTAD. Senator, I am not reluctant to give that, but this will be in a detailed presentation which the Pentagon will make. I am not making the military assistance program detailed presentation.

Senator ELLENDER. But you are here pleading for the \$714 million. That is what you are doing, General. I most respectfully think that if you have the information that you should be the one to give it to us.

Mr. CLAXTON. Mr. Chairman, this entire presentation will be made by the Department of Defense later on when the committee takes up the mutual security program.

Senator ELLENDER. The question I wanted to ask, General, I did not mean to be impertinent a while ago when I said you made a case for the foreign countries when presenting the last chart, but what I would like to get from you is what effort, if any, is being made to get our so-called allies to put in their just proportion of the money necessary to defend Western Europe. I suppose you know that the President is asking us to raise the debt limitation to \$295 billions?

## REVIEW OF MILITARY REQUIREMENTS

General NORSTAD. Senator, every year there is a review within the NATO structure in which the American representatives participate, of the military requirements and of the actual steps, contributions, which the countries are making toward the achievement of these requirements. Among the experts who deal with these things are economic, financial experts from all the countries, including the United States. The pressure, if that is the right word, is applied where it is felt or considered necessary on these countries to do more or to do better where it is indicated that they should.

(Discussion off the record.)

The Italian Prime Minister and Defense Minister at the NATO meeting in December of last year, 1958, stated that they were going to increase their defense budget by 4 percent for each year for the next 5 years. The general basis of that was to keep step with the expanding economy and the increasing gross national product.

(Discussion off the record.)

Senator CASE. Mr. Chairman, if this chart is correct, our contribution is going down.

Senator ELLENDER. That is in proportion to what they furnish.

Senator CASE. No, that is an actual figure.

Senator STENNIS. While they are getting the chart, will the Chair yield to me? I have another meeting at 2 o'clock.

General NORSTAD. This is based on last year's appropriations. When that is translated into deliveries, this figure will be down to half of that.

Senator ELLENDER. That is NATO only.

General NORSTAD. That is correct, sir.

Senator STENNIS. Mr. Chairman, I have only two questions. I thank the Chair for yielding to me.

First, I think you have made about the clearest presentation of this problem that I have ever heard, General. You made a fine, clearcut distinction there between so-called limited war and this deterrent, that is, you are not going to take it inch by inch. I think that is about the clearest illustration I have seen of that point and it is a very, very needed distinction and clarification.

#### ASSISTANCE TO MILITARY ESTABLISHMENT

Now, these are not unfriendly questions, but I do question some of your conclusions on this. Three and a half million men as you have said now, this money we are putting in here is the equivalent of 3½ million men.

General NORSTAD. No, I did not mean to say that.

Senator STENNIS. The military force which we assist by this program.

General NORSTAD. The military establishment that we assist in creating.

Senator STENNIS. Is the equivalent of 3½ million men?

General NORSTAD. Yes, sir.

Senator STENNIS. Of course, that means armed men, you know, ready to go.

General NORSTAD. Yes, sir, but including support forces.

Senator STENNIS. Now, on appropriation day we often have the argument thrown at us that every dollar here that we appropriate is equivalent to \$5 in creating soldiers. Of course, that is in the military program. That argument glosses over the distinction between the quality of your fighting men, the quality of these divisions. Bringing it back to your situation, do you think that this program here is equivalent of 3½ million men of the U.S. force military standards?

General NORSTAD. I can only say this, that it makes possible a force without which there would be disastrous consequences. I think the general discussion of the concept clearly shows this.

## U.S. FORKS REQUIRED

Senator STENNIS. Yes, and would require us to put up 3½ million men!

General NORSTAD. Somebody would have to put up the manpower. I would not wish to be held precisely that this would mean 3½ million men. What I said on that point was this: How many Americans does it take to place a division in the field? It is not only the fighting division, but it is the military support behind that division. We have applied that same rule to these forces. Now, there are differences in the quality of divisions. There are differences between American divisions, as a matter of fact. There are differences between air units and there are differences between naval forces. But these forces, in roughly this order of magnitude, would be regarded, if you take them really from the lowest or from the highest—I would say this, that if we can assume, and I do, that the aid program, and I brought those charts to illustrate it, has made possible this effort on the part of our allies, then I think we can say that we are getting a lot of defense for the dollars that we put into this program.

Senator STENNIS. With all deference to you, and you were diverted awhile ago from Senator Ellender's question for comparison between these units over there in NATO with our own standards, you have a highly competent 7th Army and, from what little I know, it certainly is deserved. I was impressed very well with it last September. But you never did warn them, and this is the comparison: What about this 7th Army now? Is there anything else over there that will equal it, and how much below it? I mean in NATO. With all deference, we don't think too well of a lot of units from what we hear. Now, what do you say?

General NORSTAD. I would say that the British units in war and in peace have demonstrated over a period of years that they are pretty tough.

Senator STENNIS. I do not mean in history. I mean those you have there.

General NORSTAD. I must base that on experience and on quality. While there are some deficiencies in the forces, I must rate them as being very, very fine units. I have no reason to question or to doubt the military effectiveness, for instance, of the Dutch or the Belgians. Within the limitations of their equipment, and I think I pointed out that we are suffering from some equipment deficiencies, which we hope this program will help, I think they are very good units.

There are differences, for instance, in divisions. We tend to think of a division as being an absolute standard of measurement. It is not. A division can be 9,000. A division can be 15,000. But in general we are talking about a division, something that runs between 11,000 and 15,000 men. In general, these units are of a high order.

The Germans are deficient principally in equipment at the present time. When they are organized, they will be first-class military units.

Senator STENNIS. Why don't you get that equipment? Because of time?

General NORSTAD. Time, really. You see, they are buying some equipment. As I stated, the Germans have put in an order from us alone of three-quarters of a billion dollars.



Senator STENNIS. Pardon me. Do you want to make any further comparison of those units?

General NORSTAD. No; I have nothing more.

REDUCTION IN COST OF U.S. SUPPORT

Senator STENNIS. You talk about reduction in the forces over there for 1963. Did you see any reduction in the amount that it would cost, you know, the amount we will have to appropriate? You have a reduction now from what it was a few years ago. Could you give that in dollars?

General NORSTAD. No, sir, I cannot do that.

Senator STENNIS. Maybe the Department of Defense will do that.

General NORSTAD. I am not so sure that the Department of Defense can do that, because we have, Senator—

Senator STENNIS. We have said dollars here. It comes down to a dollar decision, finally.

General NORSTAD. Yes, sir.

Senator STENNIS. If you don't have anything, that is all right. Senator Holland wanted to know what are the naval components in the Black Sea of NATO.

General NORSTAD. Turkish, mostly.

Senator ELLENDER. Do you have any questions?

General NORSTAD, when I spoke of these charts, particularly the one showing the contribution of our friends in Western Europe, I know that we have been on the decrease generally. I notice that it was headed "European NATO" which means all of Western Europe plus Turkey and Greece.

General NORSTAD. Yes, sir.

Senator ELLENDER. Those are the only countries. Notwithstanding the vast improvement which has been made in those countries and the fact that their economies have grown to unprecedented heights, we are still contributing from 38 to 40 percent of their NATO requirements. Will you furnish the exact percentages?

General GUTHRIE. Yes, sir. To the best of our ability.

Senator ELLENDER. What we also would like to have in that table is our total contribution. In other words, add all of ours together as against all of theirs together, and see how we come out.

General GUTHRIE. It is very substantial, sir.

Senator ELLENDER. I know it is. Two and a half to three times the amount.

Senator CASE. We had an example on ships, for example, of the cumulative value of the physical equipment given over a period of time. The ships would add up, the planes would add up.

QUESTION OF DIFFERENTIAL IN FIGURE REQUESTED

Senator ALLOTT. It occurs to me from this question of yours, Senator, if I may say so, I think it has to be pinned down to a narrower field than what you have done. As I understand the operation of the forces, you have a unified force. Now, if you are going to include in this figure the cost of supplying and furnishing our own troops, then you have a different picture, and you would come up to a substantially higher percentage than you are going to come up to if you take

the figures they are using to supply their own troops or that we are using to supply their own troops. I think this differential should be made as to what figure we are asking for. Does this make sense to you, General?

General NORSTAD. Yes. General, Guthrie, you would have to make certain assumptions, I think, in providing this, but I think after the discussion here that you have the basis for giving the Senator what he wants. I would like to make it very clear that nothing that I have said has been intended to minimize in any way the very substantial, the very necessary contribution that is being made by the United States in this. Without that contribution there would be no real defense in this area.

Senator ELLENDER. General, that is what I had in mind, also. I have been on this committee now since 1948. I have seen the debt go up and up and up and with higher interest rates facing us now it is entirely possible that our carrying charge alone will be from 11 to 12 percent of every dollar we appropriate. That is something that does not scare our allies at all as it does us. With all of that we are still going forward. The point I was making is that if America falls economically, you know what will happen to the world.

General NORSTAD. There is no question about that.

Senator ELLENDER. Are there any further questions? If not, General, we wish to thank you very much for your presence here, and I hope to see you in France this year.

General NORSTAD. Thank you, Mr. Chairman.

(Thereupon at 1 p.m., Tuesday, June 9, 1959, the committee recessed subject to call of the Chair.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

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TUESDAY, AUGUST 4, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met at 10 a.m., pursuant to call, in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman) presiding.  
Present: Chairman Hayden, Senators Ellender, Robertson, Holland, Byrd, McGehee, Saltonstall, Young, and Dworshak.

## EXPORT-IMPORT BANK OF WASHINGTON

STATEMENTS OF SAMUEL C. WAUGH, PRESIDENT AND CHAIRMAN OF THE BOARD; LYNN U. STAMBAUGH, FIRST VICE PRESIDENT AND VICE CHAIRMAN; ARTHUR M. ANDERSON, TREASURER AND BUDGET OFFICER; FRANK J. WALSH, ASSISTANT TREASURER, AND CHIEF, ACCOUNTS DIVISION

### BUDGET REQUEST

Chairman HAYDEN. The committee will be in order.

The first witnesses today are from the Export-Import Bank of Washington. The budget request for the Bank for administrative expenses for fiscal year 1960 is in the amount of \$2.5 million, and the House has approved the full amount requested. Pages 1 through 119 of the House hearings are devoted to the Export-Import Bank. We will hold hearings each day for the remainder of this week and probably all next week beginning at 10:30. However, they may be interrupted by conferences in which event we will have to hear the witnesses a little bit later.

I thought I had better explain that so that the press will understand we are working, but we have other troubles in addition to what we have before us now.

We will be very pleased to hear from you, Mr. Waugh.

Mr. WAUGH. Thank you, Senator; thank you, gentlemen.

First I would like to present my associates. On my immediate right is Mr. Lynn U. Stambaugh, First Vice President of the Bank, who has been connected with the Bank for 14 or 15 years.

Next is Mr. Arthur M. Anderson, the treasurer of the Bank, who has been with the bank 11 years or more.

Then Mr. Frank J. Walsh, assistant treasurer, who has been at the bank now 22 or 23 years.

I would like to read a brief statement, if I may, for the record.

Chairman HAYDEN. You may proceed.

Mr. WAUGH. The Export-Import Bank submits to the Congress its budget estimates and its request for the authority to pay out of the Bank's estimated earnings of \$132.6 million in fiscal year 1960 the amount of \$2,500,000 for administrative expenses. The Bank's budget estimates present in detail the data, including anticipated workload, in support of the Bank's estimated expense budget for 1960, together with statistics, charts, and graphs pertaining to the Bank's actual lending operations for the year ended December 31, 1958, and cumulative.

#### 1959 BANK OPERATIONS

The Bank operated during fiscal year 1959 within its original budget limitation of \$2,055,000, as approved by the Congress. In accordance with Public Law 85-462, an additional amount of \$160,447 was required to meet pay increases. The total of these two items, therefore, is \$2,215,447 for fiscal year 1959. The increase of \$284,553 requested in the limitation for fiscal year 1960 is to provide for adding to the Bank's personnel 6 technicians and 18 stenographic and clerical positions and for moderate increases in other related items.

#### 1960 ESTIMATED RETURN TO TREASURY

It is estimated that interest in the amount of \$42.5 million on its borrowings will be paid to the U.S. Treasury by the bank out of its earnings in fiscal year 1960. After payment of interest and administrative expenses, there will remain an estimated net profit of \$87.6 million. Out of these net profits the Bank expects to pay a dividend of at least \$22.5 million upon its capital stock to the U.S. Treasury. The balance of estimated earnings totaling \$65.1 million will be placed in reserve for contingencies, increasing the undivided profits so reserved to \$633.9 million at the end of fiscal year 1960.

#### ORIGINAL U.S. CAPITAL INVESTMENT

Chairman HAYDEN. What is the capital investment of the United States in the bank?

Mr. WAUGH. The present capital is \$1 billion, and the borrowing power authorized is \$6 billion, both authorized by the Congress.

Chairman HAYDEN. On what amount was the interest and dividends paid?

Mr. WAUGH. The annual dividend payable to the Treasury is 2½ percent or \$22,500,000 on \$1 billion capital. The interest is paid on the borrowings from the Treasury and that fluctuates each 30 days in accordance with the rate set by the Secretary of the Treasury. Today we are paying the Treasury 4½ percent, the highest rate that the Bank has paid the Treasury in its 25-year history. The rate given to us each 30 days is for the borrowings during the ensuing month.

Chairman HAYDEN. Has any part of the original capital investment of the United States in the Bank been repaid?

Mr. WAUGH. No, sir. We are loaning the capital and we have acquired reserves of \$550 million which are also being loaned. The earnings accrue to the U.S. Treasury.

Chairman HAYDEN. Thank you.

## DISPOSITION OF PROJECTS

Senator ELLENDER. During the entire existence of the Bank would you mind stating for the record what profits you have made, and what has become of them?

Mr. WAUGH. This will all be in my statement, Senator. If it is not as complete as you would like to have it, I will give it to you in more detail.

Senator ELLENDER. The next question is, what losses have you sustained?

Mr. WAUGH. That is also in the statement.

## LEVEL OF OPERATIONS IN 1960

The level of lending operations for fiscal year 1960 is reflected in the new credits estimated which consist of 195 exporter credits amounting to \$23 million, 58 development project credits of \$658 million, 4 commodity credits of \$254 million, and 5 emergency foreign trade credits of \$220 million, giving an aggregate total of \$1,155 million in new credits.

The Bank also requests authority in 1960 to expend up to the equivalent of \$200,000 in foreign currencies obtained by the Bank out of proceeds of sales of agricultural surpluses for expenses incurred incidental to the loans made by the Bank in foreign currencies under the Cooley amendment to Public Law 480. The Bureau of the Budget has already apportioned currencies to Export-Import Bank in 17 foreign countries. Additional and other apportionments will be made progressively.

Senator ELLENDER. Are those additions to your stated capital and your borrowing authority?

Mr. WAUGH. Yes, sir. These are all foreign currencies, and we report them entirely separate from the borrowing authority and the capital.

## CONDITIONS APPLICABLE TO LOANS

Senator ELLENDER. Are the conditions imposed on the borrowers the same for both types of loans?

Mr. WAUGH. No, sir. The loans we make out of the appropriated dollars are practically entirely for expenditures in the United States. Oftentimes we loan the foreign currencies to United States firms or their affiliates in the foreign countries for capital purposes of one kind or another. We do not use the same requirements. But we still believe that the loans made in foreign currencies, repayable in foreign currencies, require the same high standards of good banking that we use in connection with the loans we make out of appropriated dollars.

Senator ELLENDER. Do you place the same safeguards on loans of foreign currencies, as you do on dollar loans?

Mr. WAUGH. We use the best banking standards for the loaning of foreign currencies to American firms and their affiliates abroad.

## OPERATIONS WITH FOREIGN CURRENCIES

Senator ELLENDER. Are your foreign currencies obtained from Public Law 480 sales agreements?

Mr. WAUGH. Under the Cooley amendment to Public Law 480 the Bank receives in foreign currencies up to 25 percent of the sales

of agriculture surpluses for reloaning under certain terms and conditions. The currencies are turned over to us by the Treasury with the approval of the Bureau of the Budget.

Senator ELLENDER. Do you obtain any other foreign currencies in addition to those derived through the Cooley amendment?

Mr. WAUGH. No, sir. There are no foreign currencies we use other than those obtained through the Cooley amendment. Our experience with the Cooley amendment is that if we could obtain additional foreign currencies we could loan them to advantage under the rules and regulations we are now using.

#### EXTENSION OF OPERATIONS UNDER PUBLIC LAW 480

Senator ELLENDER. You may desire to make that known when Public Law 480 comes up for consideration during this session of Congress.

Mr. WAUGH. I am not suggesting that a greater sum be set aside out of the sales at present, but I think that the U.S. Treasury now has foreign currencies that are more or less sterile from a number of countries. If we could work out agreements with some of these foreign governments to turn additional currency over to us for reloaning in the countries, it would be advantageous in my opinion, both to the countries and to the U.S. taxpayer.

#### LEGAL AUTHORITY FOR EXTENDED OPERATIONS

Senator ELLENDER. Have you the necessary legal authority at present to accomplish this objective?

Mr. WAUGH. No, sir. We do not have the necessary legal authority. This is a matter under discussion with the Secretary of the Treasury at this particular time.

Senator ELLENDER. What is hampering it? Is there anyone opposed to it? As I understand, we have on hand billions of dollars in foreign currencies. Has there been objection on the part of the Treasury or anybody in the Government to the use of these foreign currencies?

Mr. WAUGH. There is no objection that we have been able to ascertain from the Treasury. The objection to reloaning these foreign currencies undoubtedly will come from the countries abroad.

Senator ELLENDER. The host countries.

Mr. WAUGH. Yes, sir.

Senator ELLENDER. They want dollars instead of their own currencies.

Mr. WAUGH. That is correct.

Chairman HAYDEN. Let me ask this question. You have to have some vehicle for the legislation which you say will be required. Would an amendment to the law which the Senator referred to, Public Law 480, be appropriate at this time?

Mr. WAUGH. I do not think, sir, it can be done through an amendment to Public Law 480. I think it has to be done in connection with the negotiation of future sales agreements under the sale of agricultural surpluses. That is where the amendment must be made in order to be able to use the currencies.

Senator ELLENDER. The foreign currencies to which you have referred do not come solely from Public Law 480 sales. Much of the foreign currencies have been generated through our foreign aid program and are presently controlled by the host countries and it is difficult to get them to cooperate with us.

Mr. WAUGH. That is correct. In fact, all of the sales that were made previous to 2 years ago where the returns are payable in local currencies are now accumulating in the U.S. Treasury and are sterile.

I am not the authority to say what the proper legislation should be, but I think it should be considered seriously so that we might make arrangements with these host countries.

#### NECESSITY FOR LEGISLATIVE COMMITTEE ACTION

Chairman HAYDEN. The point I would like to make is that the Appropriations Committee has no authority to report out legislation. It has to come from some legislative committee. The Committee on Agriculture will be considering an allied question, which is what to do with Public Law 480, and it could be very appropriate to add an additional section to that bill which would accomplish the purpose you have in mind. I am trying to find a legislative vehicle which will do the work.

Mr. WAUGH. I understand, Senator Hayden. The point I am trying to make is that the enactment of legislation on Public Law 480 might well take care of future cases. I am thinking of the repayments received on loans that were made more than 2 years ago under certain terms and conditions which would have to be worked out retroactively with the host country.

Chairman HAYDEN. You have to have authority to do that.

Mr. WAUGH. Yes, sir.

Senator ELLENDER. Mr. Waugh, you are referring at the moment to foreign currencies on hand which may have accumulated through Public Law 480 sales, and also from other transactions conducted by ICA and other Government agencies.

Mr. WAUGH. That is correct.

Senator ELLENDER. I am surprised to hear you say that you were not interested in obtaining additional foreign currencies through the Cooley amendment in view of the success you have had with the loans of foreign currencies.

I don't remember at the moment the exact percentage of Public Law 480 funds set aside by the Cooley amendment, but if the program has been as successful as you say it has been, it strikes me that in the future we ought to provide for setting aside a greater percentage.

#### DISPOSITION OF FUNDS UNAUTHORIZED FOR RELENDING

Mr. WAUGH. I understand. The law today states not to exceed 25 percent to the Export-Import Bank for reloaning. What is done with the other 75 percent is the first question that will be raised in this connection. A certain percentage is retained by the United States for its expenditures overseas in some cases where we have troops and in all cases where we have embassies. The balance under the agreements today is loaned back for development purposes within the country.

Senator ELLENDER. It is another form of foreign aid.

Mr. WAUGH. Yes, sir. That is where you got the conflict of interest if you increase the 25 percent and decrease the remaining 75 percent.

Senator ELLENDER. It ought to be done by all means. As a matter of fact, some of us thought that you should have ample leeway to use all of it if you can. Why not?

Mr. WAUGH. Senator Ellender, when I made my point that I thought we could use additional local currencies advantageously, I was not arguing for or against increasing the 25 percent. It seems to me that the first thing we should do would be to try to do as the chairman says, arrive at a meeting of minds whereby we could use the foreign currencies that we already have in the Treasury that are sterile today.

Senator ELLENDER. Those have been produced from other sources, also.

Mr. WAUGH. It is the same source.

Senator ELLENDER. Not entirely, some of the currencies were derived from ICA economic grant assistance programs. To obtain the release of those funds would require renegotiation with the host governments for the use of their currencies.

Mr. WAUGH. That is correct.

Senator ELLENDER. Do you know what answer we will get on that? A big "No," because they want to keep control of these funds. They won't permit us to spend them in their country.

Chairman HAYDEN. Senator Young.

#### FUNDS FROM SALE OF AGRICULTURAL SURPLUS

Senator YOUNG. I notice this statement in your prepared statement:

The Bank also requests authority in 1960 to expend up to the equivalent of \$200,000 in foreign currencies obtained by the Bank out of proceeds of sales of agricultural surpluses for expenses incurred incidental to the loans made by the Bank in foreign currencies under the Cooley amendment to Public Law 480.

Do you use these to defray the expenses of the Import-Export Bank officials in making dollar loans?

Mr. WAUGH. Exclusively in the expense of loaning foreign currencies. Our appropriation for the expense of making our dollar loans is included in the appropriation request before you today.

Senator YOUNG. There is no request to reimburse the Commodity Credit Corporation?

Mr. WAUGH. No, sir.

Senator DWORSHAK. You indicated that you might like to expand your loan program using foreign currencies under the Cooley amendment authorization. If this were done, would it conflict in any way with the Development Loan Fund under the ICA?

#### RELATION TO DEVELOPMENT LOAN FUND

Mr. WAUGH. I do not believe it would because at the present time the Development Loan Fund is loaning U.S. dollars and taking foreign currencies in repayment, sir. My point is that if we could have more of the foreign currencies to loan, it might reduce the amount of dollar loans we are called upon to make.

Senator DWORSHAK. Undoubtedly relieve the pressure on the Development Loan Fund, except that many of these borrowers would



rather have American dollars than their own foreign currency. But as far as the interests of the United States are concerned, it would be highly beneficial to use these foreign currencies for programs which otherwise might come under the Development Loan Fund.

Mr. WAUGH. A certain percentage of them would, yes. But a certain percentage of these foreign currencies are being generated in countries in which the Development Loan Fund is not loaning, or in a limited amount.

We have just had some of our people come back from the Argentine. We have had to announce that we can accept no more applications for loans in Argentine currency because we don't have any more funds to loan to U.S. private business or to Argentine affiliates of U.S. private business in the Argentine. We think in the future we will be able to use the local currency for local currency loans in connection with certain dollar loans we make, and thereby make a better combination than we have had in times past.

Senator DWORSHAK. Thank you.

Mr. WAUGH. I think some of these items are covered in the balance of this statement which I have not finished.

Chairman HAYDEN. You may proceed.

#### POLICY OF BOARD ON EXPENDITURE OF LOAN PROCEEDS

Mr. WAUGH. The policy of the Board of Directors of the Bank is to make certain that the proceeds of its loans, insofar as possible, are spent in the United States for capital equipment and commodities for export, and U.S. technical services. Since the Bank's dollars are disbursed in this country, the Bank is substantially assisting in promoting a sound economy at home. Loans approved for productive projects assist in the improvement of the economies of friendly nations in their efforts to be stronger, independent members of the free world.

It is the continued desire of the Bank's management to carry out the mandates of the President of the United States and the Congress pertaining to the conduct of its foreign lending operations.

#### HISTORY OF ACTIONS OF BANK

On February 12 the Export-Import Bank completed 25 years of operations in support of U.S. overseas trade. The Bank at the close of the fiscal year June 30, 1959, has authorized \$10.2 billion in 1,645 individual credits, disbursed more than \$6.8 billion (an additional \$1.3 billion is committed for disbursements), collected \$3.5 billion in repayments, earned gross profit of \$1,049.6 million, paid \$478.5 million to the U.S. Treasury as interest and dividends, paid all administrative expenses out of earnings, charged off losses of \$2.9 million (one-twenty-fifth of 1 percent of disbursed amount), retained net profits of \$549.9 million as reserves, encouraged more than \$1 billion in private investment abroad.

During the past 12 months, fiscal 1959 operations, the Bank has:

|                                     |                    |
|-------------------------------------|--------------------|
| Paid interest to U.S. Treasury..... | \$40, 519, 077. 69 |
| Paid dividend to U.S. Treasury..... | 22, 500, 000. 00   |
| Paid operating expenses.....        | 2, 261, 530. 35    |
| Added to reserves.....              | 62, 009, 628. 59   |
| Gross income.....                   | 128, 190, 236. 63  |

Senator ELLENDER. Your total reserve including the profit you made this year less expenses is just under \$550 million.

Mr. WAUGH. Yes, sir.

The sum of \$2,500,000 is requested as the fiscal 1960 limitation on the budget for administrative expenses, to be paid out of the Bank's earnings, the Board of Directors of the Bank being of the opinion that any lesser amount would require detrimental curtailment of its operations, preventing prudent administration.

That concludes my statement, sir.

#### RESULTS OF AMERICAN FIRMS MANUFACTURING ABROAD

Chairman HAYDEN. A Senator received letters complaining that American manufacturers establish factories in foreign countries and employ cheap labor to produce identical articles which they had been manufacturing in the United States, and then they return the commodities to this country for sale at reduced prices. Has the \$1 billion in private investment abroad which has been stimulated by the Bank contributed to such a result?

Mr. WAUGH. It is very hard to trace to the last item, Senator. It is our opinion, however, that for the most part the billion dollar private investment that has gone abroad has been for the development of the industries within the country and a very small percentage, in my opinion, has been used to manufacture products returned to this country.

#### PRIVATE CAPITAL INVESTMENT ABROAD

Senator ELLENDER. Mr. Waugh, on the last page of your memorandum you state that you encouraged \$1 billion in private investments abroad. That, of course, does not include investments by foreign governments.

Mr. WAUGH. No, sir, that is private capital.

Senator ELLENDER. That is very encouraging Mr. Waugh. I am glad you are not competing with private capital.

Mr. WAUGH. There is no question about it, Senator. For 25 years one of the precepts of this Bank has been the Bank should not compete, but encourage private capital to go abroad. This very day we have people in New York who are interested in selling our loans, without recourse, in order to get more private capital so that we will not have to draw on the Treasury for any greater amount than is absolutely necessary.

#### DOLLAR LOANS SPENT IN UNITED STATES

Senator ELLENDER. Mr. Waugh, as I understand, and I will just repeat it for the record, in your banking operations your dollar loans are made on condition that the dollars be spent in the United States.

Mr. WAUGH. For goods and services; yes, sir, very largely. There are very few exceptions and very minor items.

Senator ELLENDER. I understand that. I took issue a few weeks ago with the fact that the Development Loan Fund was going to be handled by ICA rather than by the Export-Import Bank as in the past. What have you to say about that? Forget for the moment that you are president of the Export-Import Bank. Do you think it was a wise move?

## DEVELOPMENT LOAN FUND FUNCTIONS

Mr. WAUGH. I will be very happy to answer your question. I am in a dual capacity. By appointment I am president of the Export-Import Bank, and ex officio I am a member of the Board of Directors of the Development Loan Fund. Due to a confusion in the original act—one place it said "may" and in the other place it said "shall"—the Development Loan Fund has never turned over their loans to the Export-Import Bank for administration or for servicing.

Senator ELLENDER. Do you think it should have? When the question was presented in the Mutual Security Authorization Bill, it was my opinion that since the Export-Import Bank has been in the banking business and has garnered vast experience, that it would be an error to let ICA handle it, rather than the Export-Import Bank.

Mr. WAUGH. If I understand your question correctly, you mean that the administrative work with reference to the DLF loans should have been done by the Export-Import Bank and not by the ICA?

Senator ELLENDER. That is right. In other words, it is my belief that you should give the same service to DLF loans as you give to your own loans. Of course, I realize there is a difference in functions since the Export-Import Bank must see to it that the dollars are spent in America, while the DLF funds can be spent anywhere in the world.

Mr. WAUGH. If I may answer the question this way, Senator, I first want to confess that I am very prejudiced in favor of the operation of the Export-Import Bank and the record it has had for 25 years. I must say that as a basis for my answer. When the Development Loan Fund was proposed by Mr. Dulles on the 8th day of April 1957, we discussed the proposal within our Board of Directors. I talked to the then Under Secretary of State, Mr. Hertor, and I later reported to Mr. Dulles.

On the 10th day of April 1957, the Export-Import Bank Directors authorized me to make a statement to the joint committee, of which Senator Green was then the chairman. We supported the Development Loan Fund, because of the understanding we had, which was later substantiated in my talks with Mr. Dulles, with whom I was associated, as you know, for 2½ years. We thought that the Development Loan Fund basically was to make loans in areas where aid had been granted on a soft loan basis. We did not feel at that time—and this may have been a mistake on our part—

Senator ELLENDER. A big one.

Mr. WAUGH. That it was wise to have a hard loan window and a soft loan window in the same bank. I repeat that was our judgment, based on the facts as we understood them at the time.

Now, the Development Loan Fund has extended its operations and they are operating on a basis that you suggest, buying offshore, which follows the ICA policy.

Senator ELLENDER. That is right.

(Discussion off the record.)

Chairman HAYDEN. On the record.

## RELATION BETWEEN DLF OPERATIONS AND BANK

Senator ELLENDER. To what extent have the DLF policies interfered with the operations of the Export-Import Bank? The reason I ask that question is this: I notice that you now have a total amount of

\$1,555,894,000 in undisbursed balances on authorized loans with countries throughout the world.

For instance let us consider India. India has authority to borrow millions of dollars from the Export-Import Bank, but she is not using this authority because the dollars derived from Export-Import Bank loans must be spent in the United States. India finds it more convenient to get dollars from the DLF because they can be spent anywhere in the world. With that as a premise, will you answer my question?

Mr. WAUGH. I would like to answer both of your questions, if I may, in the inverse order.

Senator ELLENDER. Any way you want. I just want the facts.

#### SITUATION IN INDIA

Mr. WAUGH. I will talk about the India situation first. The Export-Import Bank authorized a credit of \$150 million to India. I spent the month of October 1958 in India, from north to south, east to west, and came home with the recommendation to our Board of Directors that the India buyers have been doing business with the sterling area for so long that we would necessarily have to educate these people as to the possibilities of buying within the United States.

I made a recommendation, which was accepted, that we send a man to India to inform the people as to the advantage of buying in the United States vis-a-vis buying in the sterling area. The statements that have been made with reference to the utilization of the Export-Import Bank's India credit have not been as complete as they should have been. In the first place, if you are going to buy manufactured goods from this country, special equipment, it takes time. It is estimated today that under the India credit, \$50 million is under order but we have paid out less than probably \$10 million. It may take another year to use the balance of this credit. That does not bother me, because we are doing something more important than the immediate utilization of this credit. We are trying to open the U.S. manufactures market in an area of the world where they have never been active. The India credit is moving slowly, but I think now much more satisfactorily.

#### TENDENCY TO USE SOFT LOANS

Senator ELLENDER. Mr. Waugh, isn't it just plain old common horsensense that if people can obtain dollars from the DLF on easier terms than yours and if they can spend the dollars wherever they desire, that it will result in the curtailment of your own operations?

Mr. WAUGH. That is the first question you asked.

Senator ELLENDER. Isn't that correct?

Mr. WAUGH. Yes, sir.

Senator ELLENDER. There is no doubt about it.

Mr. WAUGH. There is no question, Senator, when two U.S. wholly owned organizations are loaning dollars in the same area, one repayable in dollars, and the other repayable in the currency of the country, oftentimes at longer terms and lower rates, as to where the smart borrower is going to go to get his money. That is one of the most important problems we must work out in connection with the coordination of the number of loaning organizations we are sponsoring at this time.

Senator ELLENDER. That is why I thought it was a mistake to bring the DLF under the administrative jurisdiction of ICA rather than under the Export-Import Bank. I believe that the competition between DLF and the Export-Import Bank could be better controlled if your bank handled the administrative function.

As I have just pointed out, you have over a billion and a half dollars of undisbursed balances, and I believe much of these funds would be used quicker if DLF was not taking business away from you.

Mr. WAUGH. Senator, I can clarify that for you immediately.

Senator ELLENDER. At this point, Mr. Chairman, I ask that the table showing the undisbursed balances be placed in the record.

(The table referred to follows:)

## Cumulative operations by areas and countries, February 1934 to December 1958, inclusive

(In thousands of dollars)

(in thousands of dollars)

| Area and country            | Credits authorized | Cancellations | Participations by others at own risk | Undisbursed balance | Disbursements         |                                      |           | Total repayments | Principal outstanding |
|-----------------------------|--------------------|---------------|--------------------------------------|---------------------|-----------------------|--------------------------------------|-----------|------------------|-----------------------|
|                             |                    |               |                                      |                     | By Export-Import Bank | By others at Export-Import Bank risk | Total     |                  |                       |
| AFRICA                      |                    |               |                                      |                     |                       |                                      |           |                  |                       |
| Egypt.....                  | 12,490             | 211           | 1,500                                | 3,500               | 7,279                 |                                      | 7,279     | 7,274            | 5                     |
| Ethiopia.....               | 28,200             | 278           |                                      | 17,330              | 10,082                | 500                                  | 10,582    | 4,258            | 6,324                 |
| Liberia.....                | 29,393             |               |                                      | 6,643               | 18,750                |                                      | 18,750    | 5,184            | 13,566                |
| Morocco.....                | 71                 | 40            |                                      |                     | 31                    |                                      | 31        | 31               |                       |
| Portuguese East Africa..... | 17,000             | 4,548         |                                      |                     | 12,452                |                                      | 12,452    | 200              | 12,252                |
| Portuguese West Africa..... | 1,316              | 1,102         |                                      | 37                  | 177                   |                                      | 177       | 114              | 63                    |
| Southern Rhodesia.....      | 40                 | 40            |                                      |                     |                       |                                      |           |                  |                       |
| Union of South Africa.....  | 151,122            | 2,204         | 2,242                                |                     | 146,678               |                                      | 146,678   | 42,864           | 103,812               |
| Total, Africa.....          | 235,632            | 8,422         | 3,742                                | 27,510              | 195,458               | 500                                  | 195,958   | 59,875           | 136,083               |
| ASIA                        |                    |               |                                      |                     |                       |                                      |           |                  |                       |
| Afghanistan.....            | 30,500             |               |                                      | 200                 | 30,300                |                                      | 30,300    |                  | 30,300                |
| China.....                  | 221,737            | 19,693        |                                      |                     | 191,725               | 10,319                               | 202,044   | 172,461          | 29,583                |
| India.....                  | 188,130            | 16,270        |                                      | 149,558             | 2,302                 |                                      | 2,302     | 20               | 2,282                 |
| Indonesia.....              | 201,781            | 100,000       |                                      | 8,249               | 93,532                |                                      | 93,532    | 16,247           | 77,285                |
| Iran.....                   | 82,183             | 27,706        |                                      | 23,491              | 30,747                | 240                                  | 30,987    | 1,790            | 29,207                |
| Iraq.....                   | 606                | 248           |                                      | 26                  | 332                   |                                      | 332       | 183              | 149                   |
| Israel.....                 | 162,550            | 2             |                                      | 22,240              | 140,308               |                                      | 140,308   | 29,510           | 100,798               |
| Japan.....                  | 782,101            | 20,606        | 127,105                              | 127,457             | 338,858               | 188,072                              | 506,930   | 402,743          | 104,187               |
| Pakistan.....               | 3,285              | 2             |                                      | 105                 | 3,178                 |                                      | 3,178     | 282              | 2,896                 |
| Philippines.....            | 193,758            | 75,422        |                                      | 83,686              | 34,650                |                                      | 34,650    | 5,185            | 29,465                |
| Saudi Arabia.....           | 46,191             | 34,232        |                                      | 191                 | 14,768                |                                      | 14,768    | 11,819           | 2,949                 |
| Syria.....                  | 105                | 3             |                                      |                     | 102                   |                                      | 102       | 102              |                       |
| Thailand.....               | 17,695             | 1,405         |                                      | 14,000              | 2,290                 |                                      | 2,290     | 691              | 1,599                 |
| Turkey.....                 | 90,817             | 15,416        |                                      | 38,079              | 37,322                |                                      | 37,322    | 21,864           | 5,458                 |
| Total, Asia.....            | 2,012,438          | 311,006       | 127,105                              | 467,282             | 928,415               | 178,631                              | 1,108,046 | 682,869          | 425,157               |
| CANADA                      |                    |               |                                      |                     |                       |                                      |           |                  |                       |
| Canada.....                 | 375,738            | 192,556       |                                      |                     | 183,182               |                                      | 183,182   | 183,160          | 22                    |

## EUROPE

|                      |           |         |         |         |           |        |           |           |           |
|----------------------|-----------|---------|---------|---------|-----------|--------|-----------|-----------|-----------|
| Austria              | 75,422    | 2,100   | 15,320  | 28,343  | 29,014    | 645    | 29,659    | 22,460    | 7,199     |
| Belgium              | 200,038   | 38      | 61,200  |         | 138,800   |        | 138,800   | 85,133    | 53,667    |
| Czechoslovakia       | 23,729    | 951     |         |         | 5,385     | 17,393 | 22,778    | 22,778    |           |
| Denmark              | 30,108    | 10,005  |         | 44      | 20,099    |        | 20,099    | 10,053    | 10,006    |
| Finland              | 136,104   | 7,600   |         | 987     | 110,564   | 16,953 | 127,537   | 57,960    | 69,577    |
| France               | 1,611,260 | 64,234  | 6,000   | 48,424  | 1,492,415 | 187    | 1,492,602 | 667,857   | 824,745   |
| Germany              | 81,727    | 7,578   |         | 6,420   | 67,724    | 5      | 61,729    | 64,137    | 3,592     |
| Greece               | 33,440    | 18,138  |         |         | 14,677    | 625    | 15,302    | 3,778     | 11,527    |
| Hungary              | 2,375     | 2,375   |         |         |           |        |           |           |           |
| Iceland              | 1,186     | 414     |         | 182     |           | 590    | 590       | 590       |           |
| Italy                | 246,447   | 14,307  | 7,778   | 44,740  | 138,669   | 40,953 | 179,622   | 144,676   | 34,946    |
| Latvia               | 1,903     | 1,892   |         |         |           | 11     | 11        | 11        |           |
| Netherlands          | 303,162   | 4,394   | 93,284  |         | 204,498   | 786    | 205,284   | 153,350   | 51,934    |
| Norway               | 61,004    | 10,552  |         |         | 50,226    | 226    | 50,452    | 28,227    | 22,225    |
| Poland               | 52,907    | 9,359   |         |         | 43,511    | 36     | 43,547    | 14,943    | 28,604    |
| Portugal             | 7,431     | 4,229   |         |         | 3,202     |        | 3,202     | 3,202     |           |
| Romania              | 50        | 50      |         |         |           |        |           |           |           |
| Spain                | 92,257    | 3,079   | 2,429   | 31,993  | 41,028    | 13,728 | 54,756    | 39,507    | 15,249    |
| Sweden               | 17,192    | 10,936  |         |         | 2,155     | 4,111  | 6,266     | 6,266     |           |
| United Kingdom       | 524,700   | 22,600  |         | 252,200 | 250,000   |        | 250,000   |           | 250,000   |
| Yugoslavia           | 55,518    | 518     |         |         | 55,000    |        | 55,000    | 12,750    | 42,250    |
| Miscellaneous Europe | 38,412    | 38,412  |         |         |           |        |           |           |           |
| Total, Europe        | 3,596,371 | 233,849 | 186,011 | 413,313 | 2,666,946 | 96,250 | 2,763,196 | 1,337,677 | 1,425,521 |

## LATIN AMERICA

|                             |           |         |        |         |           |         |           |         |           |
|-----------------------------|-----------|---------|--------|---------|-----------|---------|-----------|---------|-----------|
| Argentina                   | 516,532   | 125,282 |        | 220,269 | 170,981   |         | 170,981   | 53,205  | 117,776   |
| Bolivia                     | 47,031    | 2,382   |        |         | 44,639    |         | 44,639    | 10,591  | 34,048    |
| Brazil                      | 1,337,462 | 207,373 | 27,181 | 179,366 | 870,782   | 52,760  | 923,542   | 407,137 | 516,405   |
| Chile                       | 229,690   | 10,231  |        | 22,709  | 171,051   | 25,689  | 196,740   | 99,976  | 96,764    |
| Colombia                    | 247,540   | 19,746  |        | 44,700  | 162,452   | 20,642  | 183,094   | 71,101  | 111,993   |
| Costa Rica                  | 28,739    | 1,650   | 1,006  | 7,792   | 16,160    | 2,122   | 18,282    | 4,660   | 13,692    |
| Cuba                        | 185,129   | 34,647  | 5,480  | 6,470   | 82,864    | 26,068  | 88,932    | 54,888  | 31,744    |
| Dominican Republic          | 3,402     | 115     |        |         | 3,000     | 264     | 3,264     | 3,264   |           |
| Ecuador                     | 41,225    | 2,981   |        | 387     | 37,257    |         | 37,257    | 13,849  | 23,968    |
| El Salvador                 | 1,937     | 396     |        |         | 1,542     |         | 1,542     | 1,542   |           |
| Guatemala                   | 3,716     | 902     |        | 190     | 2,566     | 58      | 2,624     | 1,220   | 1,404     |
| Haiti                       | 40,350    | 2,670   |        | 2,047   | 35,633    |         | 35,633    | 8,006   | 27,625    |
| Honduras                    | 6,398     | 1,821   |        | 1,881   | 1,606     | 1,000   | 2,606     | 1,049   | 1,647     |
| Mexico                      | 468,201   | 43,637  | 1,546  | 53,643  | 349,701   | 19,674  | 369,375   | 183,577 | 185,798   |
| Nicaragua                   | 6,856     | 1,208   |        | 1,924   | 5,017     | 707     | 5,724     | 5,078   | 646       |
| Panama                      | 21,403    | 2,046   |        | 11,650  | 7,707     |         | 7,707     | 5,867   | 1,840     |
| Paraguay                    | 16,920    | 1,600   |        | 1,389   | 13,781    | 200     | 13,981    | 6,200   | 7,781     |
| Peru                        | 238,379   | 39,129  |        | 98,276  | 110,683   | 291     | 110,974   | 5,437   | 105,537   |
| Uruguay                     | 40,259    | 32,138  |        |         | 10,187    | 6,934   | 17,121    | 11,510  | 5,611     |
| Venezuela                   | 72,135    | 42,130  | 288    | 3,533   | 19,191    | 6,983   | 26,184    | 21,152  | 5,032     |
| Miscellaneous Latin America | 153,843   | 100,310 | 100    | 1,445   | 45,078    | 6,910   | 51,988    | 26,915  | 25,073    |
| Total, Latin America        | 3,698,146 | 672,315 | 35,601 | 647,671 | 2,142,227 | 170,332 | 2,312,559 | 998,215 | 1,314,344 |

## Cumulative operations by areas and countries, February 1954 to December 1958, inclusive—Continued

[In thousands of dollars]

| Area and country                       | Credits authorized | Cancellations | Participations by others at own risk | Undisbursed balance | Disbursements         |                                      |           | Total repayments | Principal outstanding |
|--|--------------------|---------------|--------------------------------------|---------------------|-----------------------|--------------------------------------|-----------|------------------|-----------------------|
|  |                    |               |                                      |                     | By Export-Import Bank | By others at Export-Import Bank risk | Total     |                  |                       |
| OCEANIA                                |                    |               |                                      |                     |                       |                                      |           |                  |                       |
| Australia.....                         | 7,088              | 1,750         |                                      |                     | 5,988                 |                                      | 5,988     | 2,773            | 2,165                 |
| New Zealand.....                       | 12,245             | 3,000         |                                      | 119                 | 12,047                | 79                                   | 12,126    | 2,275            | 9,751                 |
| Total, Oceania.....                    | 22,933             | 4,750         |                                      | 119                 | 18,985                | 79                                   | 19,064    | 6,148            | 12,916                |
| OTHER COUNTRIES                        |                    |               |                                      |                     |                       |                                      |           |                  |                       |
| Jamaica.....                           | 28                 | 28            |                                      |                     |                       |                                      |           |                  |                       |
| Puerto Rico.....                       | 450                |               |                                      |                     | 450                   |                                      | 450       | 450              |                       |
| Virgin Islands.....                    | 280                | 280           |                                      |                     |                       |                                      |           |                  |                       |
| Various.....                           | 7,800              | 7,508         |                                      |                     |                       |                                      |           |                  |                       |
| Total, other countries.....            | 8,225              | 7,775         |                                      |                     | 450                   |                                      | 450       | 450              |                       |
| MISCELLANEOUS—GENERAL                  |                    |               |                                      |                     |                       |                                      |           |                  |                       |
| Special exporter-importer credits..... | 4,932              | 1,000         |                                      |                     | 30                    | 2,902                                | 2,932     | 2,932            |                       |
| Grand total.....                       | 9,928,414          | 1,431,672     | 252,400                              | 1,555,894           | 6,128,694             | 449,694                              | 6,598,388 | 2,272,346        | 2,314,042             |
| Exporter credit lines.....             | 211,205            | 25,925        |                                      | 167,489             | 15,752                | 2,036                                | 17,791    | 6,244            | 11,447                |

NOTE.—Detail may not add to totals because of rounding.



## AUTHORIZATIONS OUTSTANDING

Mr. WAUGH. Let me make this point.

Senator HOLLAND. I think it ought to be clear when we were off the record and when we are on.

Senator ELLENDER. We are on the record.

Mr. WAUGH. Senator, the fact is that at the close of the fiscal year, we have outstanding authorizations of \$1,300 million. Do not be confused about the fact that is not being presently used. In practically every instance orders have been placed for that material for future shipment. When we authorize a credit, we do not turn a check over to the borrower. If they buy in this country—for example, if they are buying airplanes, buying thermal power equipment, or buying mining equipment—it takes one, two, or three years to build. This is money committed for shipments where the orders have been placed. There is only one instance that I can think of, maybe two, where we have made commitments where the orders have not been placed. But the bulk of this sum is now in process of being manufactured in the United States for future shipment.

Senator ELLENDER. But that does not include India where DLF has made loans totaling \$175 million in competition with your loans of \$150 million.

Mr. WAUGH. India was one where all orders have not been placed.

Senator ELLENDER. Is India the only one? I was informed that India may not use the Export-Import Bank loan.

## INDIA'S USE OF BANK LOANS

Mr. WAUGH. That is not correct, sir. The fact of the matter is we have two large U.S. firms figuring on going to India to open up businesses and sizeable businesses which may take a great deal of money out of this credit. It takes time to implement these credits. It is not any disgrace that the money has not been used. It is a disgrace to me if it is used hurriedly and not used properly.

Senator ELLENDER. I notice in your statement that since the creation of the Bank there have been cancellations aggregating almost a billion and a half dollars. Will you tell us in a nutshell what caused those cancellations?

## CAUSES FOR CANCELLATIONS

Mr. WAUGH. There are three principal causes for the cancellations. In the first place, we have authorized credits where the orders have been placed, and then the buyer has paid the U.S. shipper in cash, which we are delighted to have him do.

The second is where we authorized credits and before they are actually put into effect, private capital comes in and takes them off our hands. This is also desirable.

The third is where a contractor is interested in a particular contract; in rare instances we give an authorization to bid on the contract and if he does not get the contract, the credit is canceled.

## COMMENDATION ON BANK OPERATIONS

Senator ROBERTSON. Mr. Chairman, I have several brief comments to make. Mr. Chairman, I just wanted to say that the Export-Import

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Bank reports to the Banking and Currency Committee, and as chairman of that committee I am probably more familiar with its operations than the average member of this committee. I have been very much pleased, as I am sure all members of this committee have been pleased, with the manner in which Mr. Waugh has been operating the Export-Import Bank. I am sure you have noted with interest that in 25 years, in making available something over \$10 billion of credit, they have returned a profit of over a billion dollars to the Federal Government.

#### BANK LOANS VERSUS GENERAL AID LOANS

In line with the questions that have just been asked by the distinguished Senator from Louisiana, since the end of World War II, we have loaned something over \$15 billion to foreign nations, and people in foreign nations, of which \$6 billion went through what we might call the hard loan window. That is the business window. That is the window operated by the Export-Import Bank; \$9 billion went through the soft loan window. That could be called the political window. There is no question about what the results have been. We have made a profit on what was handled by the Export-Import Bank. All the other loans are to be repaid in soft currency, if, as, and when, and if we don't take a tremendous loss on them, we will feel that we are very lucky.

So I feel that there was considerable point in the position developed by our distinguished colleague from Louisiana—he did not quote the figures—the \$9 billion went out one way and \$6 billion went out the other. On what went out by the Export-Import Bank, they made a profit and \$9 billion is still out in the open and we don't know what the ultimate loss will be. I think it is really unfortunate that when we started this loan business, it was not continued in this way. The Marshall plan I supported was to rehabilitate war torn areas. It was contemplated that we were going to give them economic aid when they got back on their feet, and when they were on their feet, it is their business from there on out. But we did not stop. We shifted directions and used it as a primary instrumentality of foreign policy. We have sunk a lot of money, over \$60 billion all told, and as Senator Ellender so frequently said, there has been waste and inefficiency, and in many instances the results have been disappointing.

There is no doubt about the fact that the original Marshall plan was probably well conceived, although we did not develop it. We just said we will help them. They said how. They did indicate how. They set up a group in Europe to allocate it among themselves as they thought best, and it went to the politicians over there, and the rank and file of their people did not know we were putting it up. We got them away above their prewar level and we should have tapered off.

Again I want to say, Mr. Chairman, I want to commend the Export-Import Bank and to share with my friend from Louisiana the disappointment that those in charge of the foreign aid, ICA or whatever we choose to call it, did not see fit from the start when we were going to shift from economic aid to loan that we had not put it into the hands of a bank that had trained men, and put it on a business basis.

That is all, Mr. Chairman.

Senator SALTONSTALL. Mr. Chairman, may I ask just one question of Mr. Waugh, which may not be pertinent to this inquiry, but which would be of interest to some of us.

## REFUNDING RATES

As nearly as I can figure out, your money is costing you from the Government 2.1 percent. You say that \$726,900,000 was refunded on June 30, 1959. That had an average of 1.92 percent. I was just interested to know what you refunded that money at.

Mr. WAUGH. Senator, we have two classes of loans within the Export-Import Bank. After the war, the Bank paid out of its funds the amount of lend-lease loans which were long-time loans at low interest rates. Those are the bulk of our European loans.

Senator SALTONSTALL. No; I think you misunderstood me. Turn to your report to the Congress dated June 30, 1959. Look on page 24, your borrowing from the Government.

Mr. WAUGH. Yes.

Senator SALTONSTALL. And you are borrowing from the Government \$1,817,900,000. Of that money \$726,900,000 came due on the 30th of June of this year. The average rate that you are paying the Government on that is 1.92 percent. As nearly as I can figure, if my arithmetic is right, you are paying 2.1 percent on all your money. I was curious to know what you are paying on the amount that you refunded.

Mr. WAUGH. I was working up to that, Senator.

Senator SALTONSTALL. I beg your pardon.

Mr. WAUGH. It is a lengthy explanation. The lend-lease loans which we made for the U. S. Government were loans that were handled by the Bank on the rates that you just mentioned. When our borrowings from the Treasury came due on June 30, we went to the Secretary of the Treasury and said we have these loans that are coming due at these particular dates, with interest at 3½ percent and 2½ percent. We suggested it would be neither fair nor consistent to charge the current rate of 4½ percent, which would be our rate this month, on loans made for the benefit of our Government, which are drawing 3½ and 2½.

The Secretary of the Treasury agreed and authorized renewals of the June 30 maturities covering the lend-lease loans, at 3½ and 2½ percent, the same rates the loans bear, without any fee.

## QUESTION OF "FAVORED CUSTOMER" STATUS

Senator SALTONSTALL. Then boiled down, you are a favored customer because of the reasons where you are doing a favor to the Government.

Mr. WAUGH. Quite the contrary, we are not a favored customer. We are favoring the Government in this instance by working for nothing and boarding ourselves.

Senator SALTONSTALL. You are getting your money at less than we would have to pay for it because you are doing them this favor. You took out some loans on their behalf on which you are getting low interest. Now you say to them we will collect these for you if you will loan us the money at the same price, and we won't make any money on it.

Mr. WAUGH. That is exactly correct. I would like to explain one other item. When you take the total of borrowings from the Government of \$1.9 billion and divide it by the interest rate to arrive at your

low rate, I would like to call your attention to the fact that we are loaning \$560 million of our reserves upon which we are not paying the Government any interest.

Senator SALTONSTALL. I see that. On the rest of these notes, this lend-lease that you take, what part of the \$1,817,900,000 does that amount to?

Mr. WAUGH. It is about a billion dollars.

Senator SALTONSTALL. So you have \$817.9 million plus \$528.4 million on which you are earning more money or paying more money and earning more money.

Mr. WAUGH. Plus the fact that we have \$1 billion worth of capital stock which is given to us on which we pay annually a dividend of 2½ percent, or \$22.5 million. We are loaning our \$1 billion capital on which we pay 2½ percent. We are loaning our \$560 million reserve, on which we are not paying interest. Then we are breaking even on the lend-lease loans. On the current borrowings we are paying interest, depending on the cost of money. The figure right now is 4%.

#### MARKET RATE ON MONEY

Senator SALTONSTALL. You are paying the Government the market rate on that money.

Mr. WAUGH. Every month. The Treasury names the rate.

Senator SALTONSTALL. Thank you very much.

Mr. WAUGH. That was a very important question.

Senator ELLENDER. That was the point I wanted to make. When Senator Saltonstall stated that you paid 2.1 percent interest he was referring to an average rate which average, of course, was low because of the low rate of interest on old loans. All new loans made by you from funds borrowed from the U.S. Treasury carry the higher rate of interest because you must pay the Government the going rate of interest.

Mr. WAUGH. We are delighted to pay the Government the going rate.

#### VARIATION IN INTEREST RATES

Senator ELLENDER. How much interest do you charge on your new loans?

Mr. WAUGH. Our interest rate to borrowers varies with the term of the loan. We have made some 1-year loans recently—\$30 million for cotton shipments to Japan—at 4½ percent for 1 year. We made \$6 million to Austria for 4½ for 15 months. The loans we are making today are 5½ and 6 percent for longer terms.

Senator ELLENDER. How much interest are you paying the Government for the funds you have obtained to make loans at 4½?

Mr. WAUGH. 4½ percent; those are the loans we hope will be carried by the private market. We are asking the private banks to carry this paper, which are very good credits, for 4½ percent. We give them the full interest for their own account.

Senator ELLENDER. There is another question I would like to ask you, Mr. Waugh.

Mr. WAUGH. Yes, Senator.

## CONSULTATIONS WITH DLF

Senator ELLENDER. As I understand, before a DLF loan is made, all banks in which we have an interest must be consulted so that they will have the opportunity to carry the loan.

What is the yardstick you employ in refusing or accepting an application when presented to you by the DLF administrator?

Mr. WAUGH. We have applications that come to us from countries where we do not think there is a dollar capacity for repaying. We refer them to the DLF. The DLF refers all of their applications to us, and where we think there is a dollar repayment ability, we say we will take a look at this ourselves, and we try to work out the cooperation between the two institutions.

Senator ELLENDER. You concede, I am sure, that in time if the DLF loan program increases it might eventually put you out of business.

Mr. WAUGH. I would not go that far. I don't think it would put us out of business.

Senator ELLENDER. Then it will certainly decrease your business to a large extent.

Mr. WAUGH. I do think it is absolutely necessary that the closest kind of coordination be developed between two banks, both owned by the U.S. Government, and both receiving their money from the U.S. taxpayer.

## U.S. TREASURY EXCLUSIVE BANKER

Senator SALTONSTALL. May I ask one question which was suggested by Senator Young. With whom do you bank?

Mr. WAUGH. The U.S. Treasury, exclusively.

Senator SALTONSTALL. So you draw checks on the U.S. Treasury to pay your employees?

Mr. WAUGH. Yes, sir. We have no bank accounts other than the banks that we use for distribution of funds for us. Our loans are payable at various banks but we do not carry deposit bank balances.

Senator SALTONSTALL. And the reserve is carried in the Government, too?

Mr. WAUGH. Entirely.

Senator SALTONSTALL. Carried in the Treasury.

Mr. WAUGH. Yes, sir.

## INTER-AMERICAN DEVELOPMENT BANK

Senator DWORSHAK. Mr. Waugh, recently the Inter-American Development Bank is being set up to operate in Latin America. On page 45 of your statement, I notice that you have credits authorized for a total for Latin America of \$2,773,915,000. On the first page, I note that the total for Latin America under the column "Credits authorized" is just under \$1 billion. I had the impression that it was necessary to set up this Inter-American Development Bank because the countries in Latin America were being denied the necessary financial assistance for self-development. Do you anticipate that you are going to have some conflict or even competition between the Inter-American Development Bank and the Export-Import Bank?

Mr. WAUGH. It depends, Senator, upon the management of the Inter-American Bank.

Senator DWORSHAK. I have enough confidence in the operations of your Bank to believe that you have been carrying on in an effective and helpful and beneficial manner, in Latin America, in making desirable loans. It seems to me that in the face of a situation which has been mutually satisfactory, we are setting up a competitive bank which I believe will loan 25 percent of the loans in soft currency.

Mr. WAUGH. The Inter-American Bank will have both a bank and a fund.

Senator DWORSHAK. I think 25 percent will be soft currency. I am merely raising the point which reflects my apprehension and concern in accordance with what the Senator from Louisiana and the Senator from Virginia have already indicated, that when we have a constructive sound loan program as the Export-Import Bank apparently is, why should we be setting up these soft currency competitive organizations to undermine and weaken the conditions which have been existing in the past? It seems to me we are going in the wrong direction. What do you think?

Mr. WAUGH. I would like to go off the record.

(Discussion off the record.)

#### PERCENTAGE OF U.S. CONTROL

Senator HOLLAND. Mr. Chairman, I share the feeling of confidence and appreciation already expressed here by others with reference to the operation of the Export-Import Bank, but I think I understand something of the desire of Latin Americans for the setting up of the other Bank which is a joint effort. It is true, is it not, that we will control about 40 percent of the stock and subscription of that other Bank?

Mr. WAUGH. Yes, sir—

Senator HOLLAND. We have only 40 percent vote? I was going to follow that question.

Mr. WAUGH. That is correct.

Senator HOLLAND. Our Export-Import Bank is limited to the giving of loans that will promote the business of our concerns in the furnishing of equipment or in the performance of contracts.

Mr. WAUGH. We look upon our credits as being mutually beneficial. In other words, we make capital loans that help U.S. trade, but at the same time help develop the economies of the countries where the loans are made.

#### AID FOR LATIN AMERICAN CONTRACTORS

Senator HOLLAND. I understand, and that is a very fine objective. Let us assume that there are contractors or material suppliers in Latin America who want to compete with our people, our people having a complete right to look to the Export-Import Bank to help them. I fully approve of the policy of helping them. Let us say there is a cement factory in Latin America, of which there are several, that wants to supply the cement for a certain operation rather than to have it supplied from the U.S. cement factories. Under the present situation that Latin American cement factory cannot expect to be financed from the Export-Import Bank, can it?

Mr. WAUGH. We have recently made two loans to private cement plants in Argentina to purchase U.S. equipment from Allis Chalmers to further develop the cement business in Argentina. The Argentines are most pleased with these two loans made within the past month.

Senator HOLLAND. That is correct as to the furnishing of the equipment and the machinery. That was to be supplied by the U.S. manufacturers, was it not?

Mr. WAUGH. Yes, sir; Allis Chalmers Co.

Senator HOLLAND. I am talking now about contracts for building of airports and harbors and buildings and airport terminals and the like. Having talked with a good many of the Latin American people, is it improper for them to want to have their cement factories considered as a supply base for the furnishing of cement or to have their contractors who don't have the right of having the Export-Import Bank credit here stand back of their operation compete on more or less equal terms with our contractors? Isn't it to be expected that they will want the chance to advance their own construction ability, their own know-how, their own operation through their own agencies, which they are unable to do under the Export-Import Bank loans?

#### POLICY ON U.S. CONTRACTORS IN LATIN AMERICA

Mr. WAUGH. Senator, first I want to clarify one possible misunderstanding. I have absolutely not the slightest objection to a Latin American bank organized with Latin American capital for making loans in Latin America. There cannot be any objection to that. Any Latin American bank which teaches or helps to teach the people of Latin America as to the desirability of sound internal fiscal policy and development is a worthwhile objective.

On the other hand, when you say Latin American contractors, we do not limit our loans to U.S. contractors operating in Latin America. The bulk of our loans are to Latin American corporations and individuals who buy in this country. In other words, we do not discriminate against Latin American borrowers. Our loans are to foreign buyers and foreign contractors.

Senator HOLLAND. Of course you do, but only to buy from this country.

Mr. WAUGH. Yes, sir.

Senator HOLLAND. I think I understand completely the ambition of the Latin Americans to advance the interests of their own contractors, their suppliers, their own material men, by having a bank to which they can go for the financing of an operation which will look largely or even wholly to their own people, and their own operations to carry out a given building operation. I know a good bit about your own operations because I have been in touch, as you probably know, with a great many of the contractors and suppliers in this country through whom your facilities have been made available to foreign countries or foreign corporations so that they in turn could buy from our country. I think it is a fine thing. I recognize the Export-Import Bank as one of the finest and most effective agencies for the building of our foreign trade. The thing I am trying to say is that I can completely understand the desire of the Latin American people to have a strong institution supported in part by us and in

part by each other as a mutual institution, with most of the money put up by the Latin American group of nations, rather than by us, to make possible the type of operations that I have just been describing, which is not possible through your program which is limited, and properly, to the extension of American interests abroad.

I think we are caviling when we object to the setting up of an operation of that kind, and I am surprised to hear you object to it.

Mr. WAUGH. I have not objected to it flatly.

Senator HOLLAND. Maybe I did not understand your language, but I thought you were objecting to it rather definitely. It seems to me if we are going to operate on a live and let live basis, we have to realize that there is a large field not being served by the Export-Import Bank, and it should not be served by the Export-Import Bank, because that Bank is an agency of our own foreign commerce, and its extension. It has done a fine job and must continue to do it. But it can't do the other type of job at the same time.

Senator DWORSHAK. Will the Senator yield at that point?

Senator HOLLAND. I yield.

#### WISDOM OF BANKING POLICY

Senator DWORSHAK. I wish our colloquy had been on the record as long as this one is. I wonder if you won't agree with me that we are asking for trouble and an element of competition which may engender friction and hostility by setting up a bank which has an entirely different standard of operations than the program under the Export-Import Bank for many years which has proved quite successful. That is the point I wanted to stress. I am asking you.

Senator HOLLAND. My feeling is that we are inviting competition and that was the purpose of the whole effort, to make possible some competition, because, as it is now under the very fine operation of this Export-Import Bank, there are many Latin American contractors, Latin American factories, Latin American materialmen, who feel that they are being held in a secondary position, and that the whole purpose of the Export-Import Bank is the advancement of our interests. That is not a criminal interest. I want that interest to continue to be served. But I certainly can understand the attitude of businessmen in Latin America who want a place to go in which they will have a chance to build businesses and know-how and operations which, as you say, will be competitive with ours. If we ever get to the stage where we think we are going to have a monopoly in these businesses of this type in Latin America, then I would say that we are justifying the feeling of hostility toward us, because that is the basis of it.

#### COMPETITIVE LENDING OPERATIONS

Senator DWORSHAK. I was stressing the point that we are probably deliberately undermining the operations of the Export-Import Bank by providing a more or less partially soft currency loan program in Latin America. Obviously they are smart enough down there to prefer to operate on that basis than on the basis of the Export-Import Bank. While I think there is much merit in your contention, I wonder if we are not subjecting the Export-Import Bank to a lot of potential difficulty in setting up this so-called competitive program. That is all.



Senator HOLLAND. It certainly will be competitive, and that was the intention of it.

Senator DWORSHAK. We are financing it largely.

Senator HOLLAND. We are financing it in part. In the International Bank we are doing the same thing. Here we do something which for the first time will recognize Latin America as having a preferred place in our own thinking. They are here in our hemisphere. We are their best customers and they are our best ones. My own feeling is that we were not only thoroughly justified in this effort, but that there is ample field for operation in the future for the Export-Import Bank. It is going to be serving our own interests. But we should not find fault with the people who want to have a fair shake and go after business in their own countries.

Senator DWORSHAK. I was not finding fault with them except that I wanted to develop the point of whether we were setting up rather inequitable operating standards for the Export-Import Bank. That was all.

Senator HOLLAND. We are certainly going to make it necessary for them to continue their efficiency, because they are going to have to compete for certain types of business. I have no doubt that they will be able to. If they can't with their financing by our Government, and with their mission to help our own industries here, which are so efficient, stay in business and have a tremendous field of operation, I shall be greatly surprised.

I have one more question.

Senator BYRD. Will the Senator from Florida yield to me?

Senator HOLLAND. Yes.

#### COORDINATION WITH INTER-AMERICAN DEVELOPMENT FUND

Senator BYRD. Mr. Waugh, what sort of coordination will be had with the Inter-American Development Fund to avoid overlapping and duplication?

Mr. WAUGH. First I would like to answer Senator Holland, and you Senator Byrd in the same instance. After 6 years in the Government, I do not take second place to anyone in realizing the importance of Latin America to this country. I do not want anyone to get the impression that I do not think Latin America is not of tremendous importance to this country and growing more so every day.

The coordination between these institutions will be, as far as U.S. representation is concerned, through the National Advisory Council to which the U.S. representative on the Inter-American Bank will report. In other words, the vote of the U.S. representative on the Inter-American Bank will, I presume, be identical with the U.S. representative on the International Bank for Reconstruction and Development and the International Monetary Fund. The U.S. representatives coordinate through the National Advisory Council of which there are five members: the Secretary of State, the Secretary of Commerce, the Chairman of the Federal Reserve Board, the head of the Export Bank, and the Chairman, the Secretary of the Treasury.

Senator Holland, I would like to make one more comment, because I think you have put me in a light I don't want to be in.

Senator HOLLAND. I do not mean to do that.

Mr. WAUGH. I know you don't.

Senator HOLLAND. I tried to say that I think you have done a fine job, and I think you will continue to do it, but under the law—you are not responsible for the law—your primary business is the promotion of our own export business, and of our own foreign enterprise, but based in the United States. I think that is a fine objective. If the time ever comes when Americans are not interested in that, we will be a different country from the kind we have always been. I can also see the point of view of these other people who want to be able to compete, and if wholesome competition hurts us, it will be the first time it ever did.

#### FINANCING SOCIAL LOANS

Mr. WAUGH. There is one field that is not being covered that I hope the Inter-American Bank will look at. There is a field in Latin America for financing so called social loans. For example, there is no fund now from which you can get low cost housing loans. There is no fund from which you can get loans for schools. There is no fund from which you can get loans for hospitals. So I am hoping that the Inter-American Bank, particularly in the fund of their own currency, and most of the costs are local currencies and not dollars, will go into that area. It is a very important field.

Then as to the field of planning with reference to their financing and their development plans, it will be a wonderful thing if they can coordinate and plan through the Inter-American Bank. The only question I worry about is this: When the United States puts in more money than all the countries put together, and then open it to offshore purchases and international bidding, we are again further developing the countries of Europe with our funds. There is a very close point wherein I want to differentiate. I am not against the basic concepts of international bidding as you express them. We should have no objection to anyone buying on the international market but I suggest the time has arrived when the countries selling their goods should be asked to carry more of the financing.

Senator HOLLAND. The next point I wanted to explore with you is this. I notice in your statement to the committee no reference to the handling of that part of the DLF business which you have handled up to now. Just what part of it have you handled?

#### HANDLING DLF BUSINESS

Mr. WAUGH. I believe before you came in, sir, in answer to a direct question from Senator Ellender, I expressed the fact that we have not handled any of it. No part of the administration of the DLF loans. I have been a member of the Board of Directors, and that is the limit to which we have participated.

Senator HOLLAND. You mean you have not made any loans at all at DLF?

Mr. WAUGH. If you mean administration and work of that type, the answer is no.

Senator HOLLAND. The testimony which we heard on the supplemental bill from DLF was to the effect that the Export-Import Bank had handled a certain part of the applications which came to them. There must be a misunderstanding somewhere. I well recall that statement was made.

Mr. WAUGH. A moment ago I mentioned when applications come to the Development Loan Fund, they send them to us for screening, if it is a loan that we think is capable of dollar financing, we take the loan for our own account.

## DLF LOANS PAYABLE IN DOLLARS

Senator HOLLAND. I also remember that the DLF told us that about 20 percent of their loans made up to the time of their report to us were repayable in dollars, and the rest repayable in foreign or soft currency. Did you handle any part of that 20 percent?

Mr. WAUGH. No, sir.

Senator HOLLAND. Or with the things you handled that you screened out of the DLF applications and took over to handle entirely through Export-Import?

Mr. WAUGH. The latter; yes, sir.

Senator HOLLAND. Then the 20 percent of dollar repayable loans made by them is a completely different classification from the ones which you took over in the Export-Import Bank, and which were dollar repayable loans?

Mr. WAUGH. Yes, that is correct.

## STIMULATION OF PRIVATE INVESTMENTS ABROAD

Senator HOLLAND. I have one more question. I notice in your statement you say that your operation has been responsible for the investment of more than a billion dollars in private funds abroad. Do you mean capital investment, or do you mean the payment of operations?

Mr. WAUGH. Both; capital investment, equity and debt.

Senator HOLLAND. I should think that statement is very modest, because the operations that I have known about in which the Export-Import Bank made the loans always involved expenditures by contractors or material men or the like from here which were very substantial in addition to the loans which you made to the foreign country or firm to help them make the arrangements to buy the equipment from the United States.

Mr. WAUGH. Yes. Our reference is entirely to dollar equity and not to currencies or local currency costs within the country.

Senator HOLLAND. That is the point I wanted you to make. As a matter of fact, the loans you have made have released operations or made possible operations which involved the expenditures of vastly more than a billion dollars and gone into many billions of dollars to finance the total of the operations which could not have existed except for the loans which you advanced.

Mr. WAUGH. Combining the local currency and the dollar cost together; yes, sir.

Senator HOLLAND. It would go to many billions of dollars.

Mr. WAUGH. It would be several.

Senator HOLLAND. Do you have any statement on that because I think that would be an interesting addition to the figures you have made. In other words, my feeling is that the committee is interested, and the country is interested not only in what you have loaned and handled so well—I commend you again, because I think you have

loaned carefully and I think the operation has been a wonderful addition to the expansion of our foreign business—but I think one of the features which is so large that it could not be overlooked is the tremendous size of the business which you have made possible by the extension of your loans.

Mr. WAUGH. We have no way of getting the local currency expenditures in these projects. I do not believe it would be possible to go back and get them in any degree of accuracy. In fact, our billion dollar item is our best judgment and guess.

#### EXAMPLE OF BUSINESS STIMULATION

Senator HOLLAND. For instance, I have known of loans made to one of the Latin American governments to build airports, to build terminals, and to build breakwaters at the harbors. In each instance, your loan was by no means the majority part of the cost of the whole operation. In each instance it showed that your loan would make possible the entire operation, which was much more than twice the size of the loan. Isn't there any way of projecting that into your total operation to give a value to the complete operation which you have made possible by extending your loans or by extending your credit?

Mr. WAUGH. That would be a tremendous job of research for our staff. I would like to discuss this with the people who are more familiar than I am as to how much work it would be, Senator, before giving you a definite answer one way or another.

Senator HOLLAND. You understand what I am getting at. When you financed an operation to buy heavy machinery from the United States, that has unloosed an operation of building, and of establishing the machinery and of getting the construction completed vastly greater in its total than the cost of the heavy machinery. I think you have made a vastly greater contribution to business in Latin America, in particular, than represented by your loan alone.

Mr. WAUGH. If you want to take just a moment, I can give you two examples to see if I understand what you are thinking of. We made a \$100 million loan to the Southern Peru Copper Co., which took care of the dollar cost of opening a copper mine in Peru. The Peruvian company is owned by four U.S. companies. They are going to spend substantially over \$100 million of their own money for local currency costs in addition to the dollar borrowings. That is one case.

A better example is this: We have loaned \$61 million to the steel mill in Chile over a term of years. They have spent in addition to the proceeds of our loans, out of their own money for goods and services within the United States an added sum of \$124 million according to their own purchasing agent's record. In spending this \$124 million additional, they placed 7,800 different orders with over 780 firms in the United States. There are not many companies that have the purchasing agent records that go back over a term of years from which to obtain this information. The benefit is not only from the proceeds of the original loans, it is the continuing purchases of goods and services throughout the years.

Senator HOLLAND. I think your two illustrations are splendid, and they bear out my feeling that you are not stating your case really in its largest aspect when you do not show the tremendous loosing of local

expenditures and local capital and local funds that are conditioned upon your loan which makes possible the getting of the heavy machinery.

Senator HOLLAND. Thank you.

#### LOANS FOR MINING DEVELOPMENT

Senator DWORSHAK. Mr. Waugh, I was impressed with what you said about loans to Peru companies to develop copper deposits. What has been done by Export-Import Bank in developing comparable mining developments in other countries, such as Africa, and elsewhere? What has been your policy and how much have you loaned?

Mr. WAUGH. The largest investment in Africa was made in connection with the AEC for the development of uranium mines.

We have a general statement which gives an itemization based on our 25-year record of loans as to the classifications of businesses.

Senator DWORSHAK. Can that go in the record?

Mr. WAUGH. We will be very happy to put it in the record. This shows the total of \$10,200 million divided by electric power, transportation, mining equipment. We have made 106 mining credits in 17 countries for \$509 million.

Senator DWORSHAK. Over what period?

Mr. WAUGH. That is for the 25-year period.

Senator DWORSHAK. Beginning when?

Mr. WAUGH. February 12, 1934.

Senator ELLENDER (presiding). When was your most recent one, Mr. Waugh?

Mr. WAUGH. During the last 6 months we made a loan in Brazil for iron ore development.

This statement also shows the amount we have loaned for agriculture, metal refining, for industrial credits, water supply, and so forth.

Senator ELLENDER. That statement will be put in the record at this point.

(The statement referred to follows:)

## EXPORT-IMPORT BANK OF WASHINGTON

*Credits authorized 1934 to June 30, 1959, inclusive, classified by purposes*

| Classification                            | Number of countries | Number of credits | Amount                       |
|---|---------------------|-------------------|------------------------------|
| <b>Electric power:</b>                    |                     |                   |                              |
| Thermo.....                               | 24                  | 104               | \$413, 179, 060. 92          |
| Hydro.....                                | 6                   | 18                | 66, 000, 000. 00             |
| Atomic.....                               | 6                   | 1                 | 135, 000, 000. 00            |
| <b>Total.....</b>                         |                     | <b>120</b>        | <b>614, 179, 060. 92</b>     |
| <b>Transportation and communications:</b> |                     |                   |                              |
| Railroads.....                            | 18                  | 108               | 676, 306, 451. 99            |
| Aircraft and airports.....                | 20                  | 44                | 232, 793, 337. 50            |
| Highways.....                             | 21                  | 158               | 241, 348, 053. 32            |
| Automotive equipment.....                 | 23                  | 67                | 68, 964, 087. 08             |
| Harbor development.....                   | 12                  | 27                | 66, 107, 080. 08             |
| Vessels.....                              | 13                  | 21                | 73, 476, 062. 67             |
| Telecommunications.....                   | 12                  | 16                | 78, 087, 000. 00             |
| Construction equipment.....               | 27                  | 93                | 18, 796, 648. 61             |
| <b>Total.....</b>                         |                     | <b>534</b>        | <b>1, 455, 869, 221. 15</b>  |
| <b>Mining development.....</b>            | <b>17</b>           | <b>106</b>        | <b>509, 065, 037. 59</b>     |
| <b>Agriculture and forestry:</b>          |                     |                   |                              |
| Commodities.....                          | 21                  | 72                | 1, 059, 986, 781. 45         |
| Production and processing equipment.....  | 30                  | 170               | 135, 703, 839. 65            |
| Livestock.....                            | 3                   | 4                 | 11, 240, 000. 00             |
| <b>Total.....</b>                         |                     | <b>246</b>        | <b>1, 206, 930, 621. 10</b>  |
| <b>Metal refining and fabricating:</b>    |                     |                   |                              |
| Steel.....                                | 11                  | 51                | 500, 623, 288. 56            |
| Other metals.....                         | 5                   | 8                 | 60, 914, 000. 00             |
| <b>Total.....</b>                         |                     | <b>59</b>         | <b>561, 537, 288. 56</b>     |
| <b>Industrial credits:</b>                |                     |                   |                              |
| Cement plants.....                        | 10                  | 18                | 51, 163, 126. 23             |
| Chemical plants.....                      | 14                  | 38                | 59, 380, 173. 40             |
| Fertilizer plants.....                    | 10                  | 10                | 57, 785, 500. 00             |
| Paper mills.....                          | 12                  | 17                | 42, 052, 184. 33             |
| Textile mills.....                        | 23                  | 79                | 22, 904, 896. 94             |
| Auto industry equipment.....              | 8                   | 16                | 71, 102, 200. 00             |
| Petroleum industry.....                   | 7                   | 9                 | 22, 580, 500. 00             |
| Unallotted.....                           | 22                  | 163               | 245, 099, 746. 65            |
| <b>Total.....</b>                         |                     | <b>839</b>        | <b>572, 128, 329. 55</b>     |
| <b>Water supply and irrigation.....</b>   | <b>15</b>           | <b>40</b>         | <b>210, 422, 651. 96</b>     |
| <b>Hotels.....</b>                        | <b>4</b>            | <b>6</b>          | <b>20, 942, 400. 00</b>      |
| <b>Rehabilitation.....</b>                | <b>20</b>           | <b>47</b>         | <b>2, 101, 375, 155. 71</b>  |
| <b>Trade emergencies.....</b>             | <b>27</b>           | <b>72</b>         | <b>2, 886, 086, 094. 88</b>  |
| <b>Other purposes.....</b>                | <b>16</b>           | <b>76</b>         | <b>90, 918, 964. 09</b>      |
| <b>Grand total.....</b>                   |                     | <b>1, 645</b>     | <b>10, 238, 458, 125. 51</b> |

## LOANS FOR LEAD AND ZINC MINING

Senator DWORSHAK. What is the largest loan you have made in the past 5 years for lead and zinc mining developments, and in what country?

Mr. WAUGH. We have not made any lead and zinc mining loans in the last 5 years, with the possible exception of one small loan we made in Guatemala, which has since been paid in full.

Senator DWORSHAK. You said you made 106 loans. You emphasized that the most important ones were for uranium development in Africa. How many of those 106 were directly for the development of uranium production?

Mr. WAUGH. Fifty-two.

Senator DWORSHAK. That leaves 54 in other loans. What were they for? Are they in that table that is placed in the record?

Mr. WAUGH. They are not itemized but they are in the semiannual statement we make.

Senator DWORSHAK. Can you give us a report briefly on some of the major loans in that category of 54 outside of uranium? What minerals were developed?

Mr. WAUGH. May I prepare a statement and put it in the record?

Senator DWORSHAK. Yes, at this point. I am particularly concerned about what other minerals in addition to uranium you are developing abroad.

Senator ELLENDER. Without objection, the statement will be placed in the record.

(The statement referred to follows:)

## EXPORT-IMPORT BANK OF WASHINGTON

Credits authorized for mining development, July 1, 1945, to June 30, 1959, inclusive

| Country                    | Credit No. | Purpose  | Credits authorized |                | Disbursed      | Repaid         | Outstanding balance | Remarks          |
|----------------------------|------------|--|--------------------|----------------|----------------|----------------|---------------------|------------------|
|                            |            |  | Date               | Amount         |                |                |                     |                  |
| Liberia.....               | 488        | Iron ore production.....                       | Apr. 27, 1949      | \$4,000,000.00 | \$4,000,000.00 | \$4,000,000.00 | 0                   |                  |
| Union of South Africa..... | 488        | Mining equipment for uranium.....              | Jan. 10, 1952      | 127,076,071.48 | 127,076,071.48 | 45,647,385.84  | \$81,428,685.84     |                  |
| China.....                 | 399        | Equipment for coal mining.....                 | Mar. 13, 1946      | 1,500,000.00   | 1,500,000.00   | 0              | 1,500,000.00        |                  |
| India.....                 | 992        | Miscellaneous.....                             | Feb. 27, 1958      | 26,000,000.00  | 0              | 0              | 0                   |                  |
| Philippines.....           | 626-O-6    | Machinery and equipment for chrome ore.....    | Apr. 9, 1958       | 39,000.00      | 39,147.00      | 39,147.00      | 0                   |                  |
|                            | 777-B-2    | Equipment for quicksilver mines (mercury)..... | Jan. 27, 1958      | 96,000.00      | 96,736.94      | 0              | 96,736.94           |                  |
|                            | 777-K-1    | Equipment for chrome ore.....                  | Dec. 2, 1958       | 50,000.00      | 49,780.87      | 0              | 49,780.87           |                  |
|                            | 777-M-1    | do.....  | do                 | 90,000.00      | 59,840.50      | 0              | 59,840.50           |                  |
|                            | 777-N-4    | do.....  | do                 | 95,000.00      | 94,771.68      | 0              | 94,771.68           |                  |
|                            | 777-P-1    | do.....  | do                 | 96,000.00      | 94,809.45      | 0              | 94,809.45           |                  |
| Turkey.....                | 497-F      | Rocker shovels—lignite and coal.....           | Apr. 16, 1947      | 31,414.80      | 31,414.80      | 31,414.80      | 0                   |                  |
|                            | 497-G      | Chrome and copper plants.....                  | Apr. 30, 1947      | 648,000.00     | 648,000.00     | 0              | 0                   |                  |
|                            | 497-H      | Coal washing machinery.....                    | May 21, 1947       | 10,000.00      | 140,000.00     | 140,000.00     | 0                   |                  |
|                            | 497-M      | Diesel shovels—lignite and coal.....           | Oct. 13, 1948      | 112,000.00     | 112,000.00     | 112,000.00     | 0                   |                  |
|                            | 497-P      | Mining machinery—lignite.....                  | Mar. 16, 1949      | 104,000.00     | 104,000.00     | 104,000.00     | 0                   |                  |
|                            | 497-T      | Equipment for lignite mines.....               | Sept. 28, 1949     | 500,000.00     | 500,000.00     | 500,000.00     | 0                   |                  |
|                            | 684-4      | Power shovels—coal.....                        | Nov. 29, 1955      | 137,500.00     | 0              | 0              | 0                   | Credit not used. |
|                            | 628        | Coal washing plant.....                        | Mar. 17, 1955      | 896,182.00     | 716,944.00     | 179,238.00     | 587,708.00          |                  |
|                            | 1037-A     | Machinery for coal mining.....                 | June 30, 1959      | 1,000,000.00   | 0              | 0              | 0                   |                  |
|                            | 1037-B     | Machinery for copper mining.....               | do                 | 1,610,000.00   | 0              | 0              | 0                   |                  |
| Canada.....                | 485        | Development of iron ore.....                   | Dec. 1, 1948       | 5,700,000.00   | 5,700,000.00   | 5,700,000.00   | 0                   |                  |
| Argentina.....             | 534        | Mine development—nickel and cobalt.....        | Oct. 9, 1952       | 5,000,000.00   | 0              | 0              | 0                   | Do.              |
|                            | 689        | Mining equipment for lead and zinc.....        | June 9, 1955       | 72,300.00      | 0              | 0              | 0                   | Credit not used. |
| Bolivia.....               | 495        | Equipment for tungsten and sulphur.....        | Apr. 26, 1951      | 5,000,000.00   | 5,000,000.00   | 5,000,000.00   | 0                   |                  |
|                            | 509        | Production of tungsten.....                    | Nov. 1, 1951       | 1,000,000.00   | 232,761.56     | 232,761.56     | 0                   |                  |
|                            | 512        | do.....  | Dec. 19, 1951      | 1,000,000.00   | 0              | 0              | 0                   | Credit not used. |
|                            | 514        | do.....  | Jan. 17, 1952      | 580,000.00     | 130,000.00     | 130,000.00     | 0                   |                  |
| Brazil.....                | 491        | Production of manganese ore.....               | Feb. 8, 1951       | 30,000,000.00  | 0              | 0              | 0                   | Credit not used. |
|                            | 694        | Expansion of iron ore.....                     | June 16, 1955      | 3,920,000.00   | 3,018,665.79   | 1,088,888.99   | 1,829,776.80        |                  |
|                            | 1057       | Expansion of iron ore production.....          | Dec. 31, 1958      | 12,500,000.00  | 0              | 0              | 0                   |                  |
|                            | 533        | Production of manganese ore.....               | Sept. 4, 1952      | 71,456,816.24  | 55,456,816.24  | 18,181,103.44  | 37,275,712.80       |                  |
|                            | 615        | Sintering plant—iron ore.....                  | Feb. 24, 1955      | 400,000.00     | 400,000.00     | 80,000.00      | 220,000.00          |                  |
| Guatemala.....             | 617        | Materials and equipment for lead mining.....   | Mar. 3, 1955       | 500,000.00     | 499,943.80     | 499,943.80     | 0                   |                  |



|                |        |  |               |                |                |               |                |                  |
|----------------|--------|--|---------------|----------------|----------------|---------------|----------------|------------------|
| Mexico.....    | 404    | Sulfur plant.....                                | Apr. 12, 1951 | 2,972,500.00   | 2,972,500.00   | 2,972,500.00  | 0              | Credit not used. |
|                | 404    | do.....  | Dec. 22, 1953 | 1,027,500.00   | 1,027,500.00   | 1,027,500.00  | 0              |                  |
|                | AOPC-9 | Rotary dryer—various.....                        | Apr. 3, 1956  | 2,800.00       | 0              | 0             | 0              |                  |
|                | 427-L  | Coal mine equipment.....                         | Apr. 5, 1956  | 2,740,000.00   | 2,740,000.00   | 907,447.26    | 1,832,552.74   |                  |
|                | 506    | Production of manganese concentrates.....        | Aug. 22, 1951 | 750,000.00     | 745,000.00     | 82,662.84     | 661,337.16     |                  |
|                | 829    | Spray dryer for zinc.....                        | July 9, 1957  | 15,855.00      | 15,855.00      | 15,855.00     | 0              |                  |
|                | 1014   | Purchase of sulfur plant.....                    | June 5, 1956  | 2,500,000.00   | 2,500,000.00   | 0             | 2,500,000.00   |                  |
|                | 516    | Sulfur plant.....                                | Feb. 21, 1952 | 4,414,000.00   | 4,414,000.00   | 2,822,666.68  | 1,521,333.32   |                  |
| Pera.....      | 499    | Tungsten.....                                    | July 8, 1951  | 650,000.00     | 649,203.40     | 649,203.40    | 0              |                  |
|                | 548    | Iron ore mining equipment.....                   | July 15, 1953 | 2,500,000.00   | 1,000,000.00   | 1,000,000.00  | 0              |                  |
|                | 483    | Zinc refinery and power equipment.....           | Aug. 3, 1950  | 20,800,000.00  | 19,250,000.00  | 2,100,000.00  | 17,150,000.00  |                  |
|                | 547    | Copper mining and power equipment.....           | Nov. 4, 1954  | 119,960,916.48 | 106,950,916.48 | 0             | 106,950,916.48 |                  |
|                | 953    | Iron ore beneficial plant.....                   | Nov. 14, 1957 | 10,000,000.00  | 0              | 0             | 0              |                  |
| Venezuela..... | 897    | Mining equipment—various.....                    | Feb. 28, 1957 | 21,838.30      | 10,338.30      | 10,338.30     | 0              |                  |
| Australia..... | 835    | Equipment for uranium mining and processing..... | Oct. 9, 1963  | 5,937,500.27   | 5,977,500.27   | 3,280,317.49  | 2,787,181.78   |                  |
| Total.....     |        |  |               | 696,672,708.57 | 274,912,528.56 | 98,172,372.20 | 256,740,156.36 |                  |

122 credits.

## LOANS FOR COAL MINING AND HAULING EQUIPMENT

Mr. WAUGH. You would like us to do this for the last 5 or 10 years?

Senator DWORSHAK. Since World War II.

Mr. WAUGH. We can develop that very easily.

Senator DWORSHAK. Thank you.

Senator BYRD. I would like for Mr. Waugh also to supply for the record information concerning the loans that have been made to other countries during the last 5 years for coal hauling equipment and for coal mining equipment. Could you state at this point just what countries have received loans recently for coal mining equipment or coal hauling equipment, or both?

Mr. WAUGH. I do not think of any, with the exception of one under consideration in Turkey at this time. Whether or not that has been signed, I do not know.

Senator BYRD. That is for coal preparation equipment, isn't it, or coal cleaning?

Mr. WAUGH. Yes, I think so.

Senator BYRD. What about Poland? Has there been any loan made to Poland for coal hauling equipment or coal mining equipment in recent years?

Mr. WAUGH. Not in recent years. We have made no loans to Poland with Export-Import Bank funds since they have gone behind the Iron Curtain.

Senator BYRD. With regard to DLF loans to Poland for coal mining and hauling equipment—this question may not be pertinent to you, Mr. Waugh.

## LOANS TO POLAND

Mr. WAUGH. I do not believe that either the Export-Import Bank or DLF have made any loans out of appropriated funds to Poland. I think the only loans that have been made to Poland and in recent years have been made out of the President's special fund, authorized by the President through the Secretary of State. We have administered these loans but they have not been made out of our appropriated funds. We have one Export-Import Bank loan to Poland, made in 1946, for \$40 million for coal cars and locomotives, and they have already repaid \$12 million of that loan. There is \$27 million plus outstanding. The loan is current as to payment of principal and interest. That is the only loan we have outstanding today at the Export-Import Bank in Poland.

## LOANS TO YUGOSLAVIA

Senator BYRD. What loans, if any, have been made to Yugoslavia in recent years for coal-mining equipment?

Mr. WAUGH. None, on the same basis. We have no loans to Yugoslavia from Export-Import Bank funds.

Senator BYRD. The Export-Import Bank loans funds to specific projects, doesn't it?

Mr. WAUGH. Generally, yes, sir.

Senator BYRD. The DLF loans funds for programs in different instances?

Mr. WAUGH. No, sir.

## HOUSE COMMITTEE REPORT

Senator BYRD. I am reading from the House committee report which accompanies the mutual security appropriation bill, and which at the bottom of page 5 says:

An audit by the GAO of the Development Loan Fund operation in fiscal year 1958 revealed that the Fund had allocated loan funds to programs rather than to specific projects in several countries. While the Fund may have the legal right to do so, as evidenced by the opinion of the General Counsel of General Accounting Office, pages 715 and 717 of the hearings, it is the committee's opinion that such allocation of funds pending receipt of firm proposals from the borrowing country is contrary to the legislative history of the Fund and the testimony presented to various committees of the country.

I would like to have your comment, Mr. Waugh, on the fears expressed by the House committee concerning the loaning of funds for programs rather than for specific projects by the Development Loan Fund.

Mr. WAUGH. I am now answering as a Director of the Development Loan Fund, and not as an officer of the Export-Import Bank, is that correct?

Senator BYRD. Yes.

Mr. WAUGH. I think that comment which I read very carefully was directed to the fact that upon recommendation the Development Loan Fund, made a credit allocation for a certain country, the detailed projects to be worked out at a later date. I remember the General Accounting Office took exception to that method of handling the financing.

Senator BYRD. What was the amount of the fund?

Mr. WAUGH. I would be stating it from memory. It was a loan to India, but I am not quite sure as to the amount. I think the record would be the best evidence.

Senator BYRD. Do you know of any other instances in which this procedure has been followed?

Mr. WAUGH. Yes. There have been two or three instances that the GAO called attention to. There was a loan made to Israel. The amount was set aside first and the projects filled in later.

Senator ELLENDER. One was also made to Lebanon under those same conditions.

Senator BYRD. I have no further questions.

## COMMITTEE RECESS

Senator ELLENDER. Are there any further questions? If not, we want to thank and compliment you, Mr. Waugh. The committee will stand in recess until 10:30 tomorrow.

Mr. WAUGH. Thank you very much. Do you want this budget report in the record?

Senator ELLENDER. Suppose you file it with the committee.

Mr. WAUGH. Thank you.

(Thereupon at 11:50 a.m., Tuesday, August 4, 1959, a recess was taken until Wednesday, August 5, 1959, at 10:30 a.m.)



# MUTUAL SECURITY APPROPRIATIONS FOR 1960

WEDNESDAY, AUGUST 5, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met at 10:30 a.m., pursuant to recess, in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Senators Hayden, Ellender, Robertson, Stennis, Bible, Byrd, McGee, Bridges, Saltonstall, Smith, Dworshak, Kuchel, and Hruska.

## DEPARTMENT OF STATE

STATEMENT OF HON. C. DOUGLAS DILLON, ACTING SECRETARY OF STATE; ACCOMPANIED BY HON. WILLIAM B. MACOMBER, ASSISTANT SECRETARY FOR CONGRESSIONAL LIAISON; HON. JOHN O. BELL, SPECIAL ASSISTANT FOR MUTUAL SECURITY COORDINATION; PHILANDER P. CLAXTON, DEPUTY ASSISTANT SECRETARY FOR MUTUAL SECURITY AFFAIRS; AND JOHN E. MURPHY, ASSISTANT DEPUTY DIRECTOR-CONTROLLER, INTERNATIONAL CO-OPERATION ADMINISTRATION

### STATEMENT BY THE CHAIRMAN

Chairman HAYDEN. The committee will come to order.

We start our hearings this morning on the mutual security part of this appropriation bill which passed the House of Representatives Tuesday, July 29, 1959.

The total budget estimate for the mutual security program is in the amount of \$4,429,995,000, and the House has allowed a total of \$3,186,500,000.

The administration is requesting this committee to restore \$876,-\$267,730, cut from the bill by the House.

I have a table before me which reflects the details of the restorations requested, which I will include in the record at this point.

We will proceed with the first witness this morning, Mr. C. Douglas Dillon, Acting Secretary of State.

(The table referred to follows:)

*Mutual Security appropriation bill, 1960, H.R. 8385*

| Title   | Authorization request, 1960—Public Law 86-108         |  |  |  | Appropriation request, 1960                             |  |                        |
|---|---|--|--|--|---|--|------------------------|
|   | Executive branch request (H. Doc. 97), March 13, 1959 | Passed by House (H.R. 7500), June 18, 1959 | Passed by Senate (H.R. 7500), July 8, 1959 | Authorization Act, 1960, Public Law 86-108 | President's request, 1960 (H. Doc. 188 and H. Doc. 205) | Passed by House (H.R. 8385), July 29, 1959 | Restorations requested |
| <b>CHAPTER I. MILITARY ASSISTANCE</b>                                       |   |  |  |  |   |  |                        |
| Military assistance.....  | \$1,600,000,000                                       | \$1,440,000,000                            | \$1,300,000,000                            | \$1,400,000,000                            | \$1,600,000,000   | \$1,300,000,000                            | \$100,000,000          |
| <b>CHAPTER II. ECONOMIC ASSISTANCE</b>                                      |   |  |  |  |   |  |                        |
| Title I. Defense Support.....   | 835,000,000   | 750,000,000                                | 751,500,000                                | 751,000,000                                | 835,000,000   | 700,000,000                                | 51,000,000             |
| Title II. Development Loan Fund.....  | 700,000,000   | 700,000,000                                | 12,000,000,000                             | 1,800,000,000                              | 1,200,000,000   | 550,000,000                                | 4,650,000,000          |
| Administrative expense limitation.....                                      | [2,050,000]   | [2,050,000]                                | [2,050,000]                                | [2,050,000]                                | [2,050,000]   | [1,750,000]                                | [300,000]              |
| Title III. Technical Cooperation:   |   |  |  |  |   |  |                        |
| Bilateral.....  | 179,500,000   | 179,500,000                                | 179,500,000                                | 179,500,000                                | 179,500,000   | 150,000,000                                | 25,600,000             |
| Multilateral:   |   |  |  |  |   |  |                        |
| (a) U.N. expanded program of technical assistance and the special fund..... | 30,000,000  | 30,000,000                                 | 30,000,000                                 | 30,000,000                                 | 30,000,000  | 30,000,000                                 | —                      |
| (b) Organization of American States.....                                    | 1,500,000   | 1,500,000                                  | 1,500,000                                  | 1,500,000                                  | 1,500,000   | 1,500,000                                  | —300,000               |
| Total, title III.....   | 211,000,000   | 211,000,000                                | 211,000,000                                | 211,000,000                                | 211,000,000   | 181,500,000                                | 25,300,000             |
| Title IV. Special Assistance and Other Programs:                            |   |  |  |  |   |  |                        |
| Special assistance.....   | 271,800,000   | 250,000,000                                | 244,620,000                                | 247,500,000                                | 271,800,000   | 200,000,000                                | 47,800,000             |
| Migrants, refugees, escapees:   |   |  |  |  |   |  |                        |
| (a) ICEM.....   | 12,200,000  | (12,200,000)                               | (12,200,000)                               | (12,200,000)                               | 12,200,000  | 8,000,000                                  | —629,000               |
| (c) Program of U.N. High Commissioner for Refugees.....                     | 1,100,000   | 1,100,000                                  | 1,100,000                                  | 1,100,000                                  | 1,100,000   | 1,100,000                                  | —                      |
| (d) Escapee program.....  | 5,200,000   | 5,200,000                                  | 5,200,000                                  | 5,200,000                                  | 5,200,000   | 5,200,000                                  | —568,000               |
| U.N. Children's Fund.....   | 12,000,000  | 12,000,000                                 | 12,000,000                                 | 12,000,000                                 | 12,000,000  | 12,000,000                                 | —                      |
| U.N. Relief and Works Agency.....   | 25,000,000  | 25,000,000                                 | 25,000,000                                 | 25,000,000                                 | 25,000,000  | 25,000,000                                 | —                      |
| Ocean freight charges, U.S. voluntary relief agencies.....                  | 2,300,000   | 2,300,000                                  | 2,300,000                                  | 2,300,000                                  | 2,300,000   | 2,300,000                                  | —390,000               |
| General administrative expenses.....  | 39,500,000  | 39,500,000                                 | 39,500,000                                 | 39,500,000                                 | 39,500,000  | 37,000,000                                 | 2,375,000              |
| State Department administrative expenses.....                               | 8,395,000   | (8,395,000)                                | (8,395,000)                                | (8,395,000)                                | 8,395,000   | 7,900,000                                  | 431,000                |
| Atoms for Peace.....  | 6,500,000   | 6,500,000                                  | 6,500,000                                  | 6,500,000                                  | 6,500,000   | 1,500,000                                  | 1,248,730              |
| Total, Title IV.....  | 363,400,000   | 341,600,000                                | 336,220,000                                | 339,100,000                                | 383,995,000   | 300,000,000                                | 49,957,730             |
| Total, economic assistance, chapter II.....                                 | 2,109,400,000   | 2,002,600,000                              | 3,298,720,000                              | 3,101,100,000                              | 2,629,995,000   | 1,731,500,000                              | 776,257,730            |

## CHAPTER III. CONTINGENCY FUND

|   |               |               |                  |                  |               |               |             |
|---|---------------|---------------|------------------|------------------|---------------|---------------|-------------|
| President's special authority and contingency fund.....   | 200,000,000   | 100,000,000   | 180,000,000      | 155,000,000      | 200,000,000   | 155,000,000   |             |
| CHAPTER IV. GENERAL AND ADMINISTRATION PROVISIONS   |               |               |                  |                  |               |               |             |
| Foreign small business concerns.....  |               |               | 2,500,000        |                  |               |               |             |
| CHAPTER V. INTERNATIONAL COOPERATION IN HEALTH;<br>COLOMBO PLAN COUNCIL FOR TECHNICAL COOPERATION |               |               |                  |                  |               |               |             |
| International cooperation in health.....  |               |               | 2,000,000        |                  |               |               |             |
| CHAPTER VI. CENTER FOR CULTURAL AND TECHNICAL<br>INTERCHANGE BETWEEN EAST AND WEST                |               |               |                  |                  |               |               |             |
| Center for Cultural and Technical Interchange Between East<br>and West.....                       |               |               | ( <sup>1</sup> ) | ( <sup>2</sup> ) |               |               |             |
| CHAPTER VII. AMENDMENTS TO OTHER LAWS AND<br>MISCELLANEOUS PROVISIONS                             |               |               |                  |                  |               |               |             |
| NATO Parliamentary conference.....  |               |               | 100,000          | 100,000          |               |               |             |
| U.S. participation in World Refugee Year.....   |               |               | 10,000,000       |                  |               |               |             |
| Total, chapter VII.....   |               |               | 10,100,000       | 100,000          |               |               |             |
| Total, new funds, all programs.....   | 3,909,400,000 | 3,542,600,000 | 4,793,320,000    | 4,656,200,000    | 4,429,995,000 | 3,186,500,000 | 876,267,730 |
| Add continuing authorizations (parentheses above).....  | 20,595,000    | 20,595,000    | 20,595,000       | 20,595,000       |               |               |             |
| Unobligated balance reappropriated.....   |               |               |                  |                  | (36,188,000)  | (36,188,000)  |             |
| Total (excludes unobligated balances reappropriated).....   | 3,929,995,000 | 3,563,195,000 | 4,813,915,000    | 4,676,795,000    | 4,429,995,000 | 3,186,500,000 | 876,267,730 |

<sup>1</sup> In lieu of appropriation, borrowing from Treasury authorized at rate of \$1 billion a year for 5 years in bill reported to Senate.

<sup>2</sup> Of this authorization not to exceed \$750 million may be advanced prior to July 1, 1960, not to exceed an additional \$1,250 million may be advanced prior to July 1, 1961.

<sup>3</sup> Of this authorization not to exceed \$700 million may be advanced prior to July 1,

1960, and not to exceed an additional \$1,100 million may be advanced prior to July 1, 1961.

<sup>4</sup> \$150 million additional for 1960 and \$500 million for 1961.

<sup>5</sup> Continuing authorization is now contained in the act.

<sup>6</sup> Authorized such amounts as may be necessary to carry out program.

## GENERAL STATEMENT

Mr. DILLON. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate the privilege of meeting with you to present the President's request for the appropriation of funds for the mutual security program for fiscal year 1960.

## OUR COMMON RESPONSIBILITY

We in the executive branch and you in the Congress share a common, grave responsibility. We both have the serious duty of making certain that the mutual security program is adequately financed and effectively administered.

It is my solemn conviction that the safety, the prosperity, and even the survival of our Nation and its people depend on the judgment and effectiveness with which we carry out this duty.

For I am deeply convinced that the future of our country and of the free nations with which we are associated depends on the adequacy of the defensive strength our military assistance makes possible, and on the encouragement and practical assistance we provide to the economic progress of those less fortunate than we.

## THE MUTUAL SECURITY PROGRAM IN THE WORLD TODAY

It is surely by now a truism that we are engaged in a contest which has greater potential for the destruction of our way of life than any military conflict we have ever entered.

However, this peril has been with us so long that I fear many are becoming inured to it, have discounted it, have, in some degree, written it out of their consciousness.

I cannot overstate the concern which this attitude of mind gives me, for in this day and age our mutual security program is absolutely vital to us. It is the primary means by which we are able to counter the two major offensives to which we and our free world allies are being subjected.

## THE COMMUNIST OFFENSIVES

Threat of force in being. One of these is the familiar, ever-present threat of great force in being, the immense and ever-growing military power of the Sino-Soviet bloc.

Communist imperialism now dominates 17 nations, or parts of nations, including the world's second most powerful, the Soviet Union, and the world's most populous, Communist China.

Senator ELLENDER. Would you name those nations, Mr. Dillon, please?

Mr. DILLON. I will give you a list of them.

Senator ELLENDER. You may put them in the record.



(The material referred to follows:)

*Countries and parts of countries coming under Communist control*

| Country or part of country:                 | Date Communist control was established |
|---|--|
| In Europe:                                  |  |
| Albania.....                                | 1944                                   |
| Bulgaria.....                               | 1946                                   |
| Czechoslovakia.....                         | 1948                                   |
| East Germany.....                           | 1945                                   |
| Hungary.....                                | 1947                                   |
| Estonia.....                                | 1939                                   |
| Latvia.....                                 | 1939                                   |
| Lithuania.....                              | 1939                                   |
| Poland.....                                 | 1947                                   |
| Rumania.....                                | 1945                                   |
| Russia.....                                 | 1918                                   |
| Yugoslavia*.....                            | 1945                                   |
| In Asia:                                    |  |
| China (including Manchuria).....            | 1949                                   |
| North Korea.....                            | 1945                                   |
| Mongolia.....                               | 1921                                   |
| Tibet.....                                  | 1951                                   |
| North Vietnam.....                          | 1954                                   |
| Sakhalin and the Kuril Islands (Japan)..... | 1945                                   |

\*Yugoslavia, although a Communist nation, is regarded as having freed itself from Soviet control.

#### THREAT OF ECONOMIC PENETRATION

Mr. DILLON. One-third of the people of the world are under its control. It has at its disposal some 6½ million armed men, airfleets of over 25,000 planes, and a large navy with hundreds of modern submarines.

These great forces are backed by nuclear weapons and missiles. This great power complex also has well-developed and expanding scientific, technical, and industrial capacity.

In the last 5 years, there has developed another, less familiar, but equally, if not more dangerous Communist offensive, the economic offensive directed toward the penetration of free world nations by economic means.

This offensive is designed to exploit one of the great realities of our era, the worldwide revolution of former colonial and underprivileged peoples seeking both independence and economic progress.

Since World War II, 21 new nations have come into being. More than a quarter of the world's population has attained political independence. They and others of the less-developed nations who have preceded them, are now engaged in a great struggle for the economic strength and growth which will make their freedom truly meaningful.

Many of you have seen the poverty, privation, ill health, an illiteracy in which untold millions of peoples of these new nations live. Yet we now see also their determination that they and their children shall rise out of these conditions and share in the better way of life they know is possible. They hope to do this under free institutions, but there are many in the underdeveloped areas who are determined that this progress shall be made even if they have to accept totalitarian forms of government to achieve it.

The powerful and insistent theme of Communist propaganda to these struggling people is that the Communist way of life is their best and only hope. This propaganda is now backed by action.

#### NEW COMMUNIST STRATEGY

Mr. Khrushchev has openly and repeatedly declared the new strategy of the Communist block to gain its imperialist objectives by penetration of countries now free.

At the 21st Party Congress in Moscow only a few months ago, he said:

Economics is the main field in which the peaceful competition of socialism and capitalism is taking place, and we are interested in winning this competition in a historically brief period of time.

\* \* \* with the support of leading socialist countries some countries which lagged behind in the past could switch over to a socialist regime, and after a certain phase of development to communism, bypassing the capitalist phase of development.

Senator ELLENDER. With respect to the sentence you read, Mr. Dillon:

Economics is the main field in which the peaceful competition of socialism and capitalism is taking place, and we are interested in winning this competition in a historically brief period of time.

Who is the person being quoted?

Mr. DILLON. The line I just read was a quotation from Mr. Khrushchev.

#### METHOD OF MEETING COMPETITION

Senator ELLENDER. How do you propose to meet this competition?

Mr. DILLON. It is to help to enable countries of Asia and Africa to see that they have equal hope in developing their economies in freedom which I think they would much prefer to do.

Senator ELLENDER. Do you not think that if our way of life were put in competition, within these countries, with that of the Russians, and then let the people choose for themselves, that would be the sensible way to do it?

Mr. DILLON. I think that is what we are attempting to do, yes.

Senator ELLENDER. Then why do you object to the Russians furnishing assistance to some countries in the same manner as we are?

Mr. DILLON. I do not object to the Russians giving assistance, nor to the other people accepting it. The one thing we do have in mind is that the Russians, as they have stated, are motivated by a political motive to make these people abandon the free system, which they now have and which they now prefer, and they are trying to do that by large amounts of aid and by trade programs which would tie them into the Soviet Union.

Senator ELLENDER. The Russians started that only 4 or 5 years ago?

Mr. DILLON. That is right.

Senator ELLENDER. And they have spent approximately only \$2 billion in contrast to our over \$50 billion in grants and \$20 billion in loans.

It looks as though that today we are just as bad off, if not worse, than when we started.

I am just wondering why we object to the expenditures made by the Russians in order to do what we are trying to do and that is, an endeavor to better the economies of these underprivileged countries, so that, the living standards of the masses may be elevated.

Mr. DILLON. I think they are not only trying to do that; they are trying to convert these people to communism as Mr. Khrushchev says.

In these countries in the last 5 years, they have spent, they have committed about \$2,300 million in the same countries where the total U.S. aid has been about \$5½ billion, of which \$2 billion has come from this program.

Senator ELLENDER. Do you not think that in the work Russia has done so far in quite a few of these countries, which you have mentioned, particularly Egypt and Burma, they have had sad experiences and the furtherance of the Communist cause has not materialized.

Now, should we not invite more of that?

It strikes me that if you give them an opportunity to expand in that field and they fail as they have in Burma and in Egypt, then our cause is further advanced by their failure.

In my humble judgment, we will never expose the evils of communism if we do not let the peoples of the underdevelopment nations see it in operation.

Mr. DILLON. I think all we have to do is show that we have an equal interest and that we are trying to help these people in the same way.

I think it would be very bad if we did not help at all and left the field open to the Soviets alone.

Certainly I do not object to their competition. When it helps to produce development that is all to the good.

#### BURDEN OF ARGUMENT

Senator ELLENDER. Isn't that the main burden of your argument, that you should in some way stop it?

Mr. DILLON. No, sir.

Senator ELLENDER. You are complaining about the Russians coming into these countries. That is the burden of your argument. I would invite them in.

Mr. DILLON. The burden of my argument is because of the fact that they are there we, ourselves, have to take that into account to be sure that we maintain an adequate program.

Senator ELLENDER. Mr. Dillon, we have been in the picture, as I have said, for 14 years.

Mr. DILLON. With these underdeveloped countries it is much shorter than that.

Senator ELLENDER. They are now nations. May of them were only colonies when we started this program.

Mr. DILLON. It began with the four-point program about 10 years ago in a very small way.

Senator ELLENDER. As I understand then, you are not opposing the economic aid given by the Russians to any of the underdeveloped countries?

Mr. DILLON. No, sir.

Senator ELLENDER. Would you not encourage it?

Mr. DILLON. We think it is fine.

The only thing we would worry about is if it got so large that the country became dependent solely on that. We think that that would be a certain concern.

There are not many countries where that is the case at the moment.

Senator ELLENDER. As I have often said, I would invite the Russians to come in there and show their stuff and demonstrate what they can do in contrast to what we can do.

I am not afraid and have no doubt as to what will happen in the long run.

Senator SALTONSTALL. Mr. Chairman, we all have questions. I have a number of them. But would it not be wise if Secretary Dillon finished his statement and then if we did have any questions we could ask them, because perhaps some of us have other appointments we want to keep.

Senator ELLENDER. That is all right with me. I have many questions. It will take me about an hour to complete my interrogation of Mr. Dillon.

Chairman HAYDEN. I do think Mr. Dillon ought to have an opportunity to finish his statement.

#### INCREASE IN COMMUNIST ECONOMIC ASSISTANCE

Mr. DILLON. The Soviet Union and its Chinese allies are demonstrating the seriousness of their purpose by providing economic assistance and technical help at an increasing tempo.

Senator ELLENDER. But you are for that?

Mr. DILLON. I say that is all right. It shows what they are doing. We have to do the same thing.

In the 5-year period since this offensive began \$2.3 billion of economic credits and grants have been concentrated on 19 of the less developed nations of the free world, primarily in the Near East, South Asia, and Africa.

The value of new aid agreements in fiscal year 1959 exceeded the peak reached in the year before, and remember, these figures do not include aid to other Communist bloc countries.

The exact amounts of this aid are unknown to us, but they are very sizable.

#### COMMUNIST ECONOMIC TECHNICIANS

During the first half of this calendar year the Communist bloc sent to the same 19 free world countries 4,680 economic technicians, a radical increase of some 60 percent over a year earlier.

Our own economic help to these and others of the less developed nations striving to progress is not new. It long preceded any interest on the part of the Communist bloc.

Our aid has been prompted by considerations of simple human decency, the obligation we have felt to help our brothers in their struggle, and by our plain national interest in the economic health and progress of our free world friends.

Our economic help has not been concentrated on a few strategically significant countries, but has been directed toward the advancement of many.

## COLD WAR OBJECTIVE

Now, however, the Communists have chosen to make the control of economic progress in many newly developing nations an objective in their cold war.

It should be only too evident to us that the number, size, and strategic locations of these nations and their great and rapidly increasing populations makes it absolutely imperative in our own interest, as well as theirs, that they should never be forced to become dependent on the Communist bloc by lack of adequate economic help from the free world.

## MATTERS AFFECTING THE PROGRAM IN GENERAL

I would like now to comment briefly on four matters which apply to the program in general:

First, as to the general magnitude of this program.

The impression is given by some opponents that it is somehow the biggest item in the Federal budget; that it is responsible for the national debt; that it is causing the current flow of gold from the United States.

The facts are, of course, that the entire mutual security program is only some 5 percent of our Federal budget; it is equal to only 10 percent of our military budget; it is no more responsible for the national debt than any other individual item in the budget, and it is only one minor item among many items affecting our balance of payments.

## CASES OF INADEQUATE ADMINISTRATION

Second, it is sometimes said that because cases of inadequate administration have developed, the program should be cut, presumably as some sort of punishment of the administrators. This seems to make little sense to me. The mutual security program is neither a punishment nor a reward to its administrators. It is a vital national necessity.

The obvious cure for inadequate administration is better administrative procedures. We are trying to assure that these are provided, and we should be considerably helped in this by the authorizing legislation just enacted.

Third, it is argued that the appropriation for this program has been cut every year and it hasn't failed yet, so why not cut it again, and more.

It is true that there has been no great failure in the program, and we can be grateful that it has had many striking successes, but it hardly seems sensible to me to see each year how closely we may ride to the edge of the abyss without falling in.

For instance, during this past fiscal year we operated for the final 6 months with the knowledge that contingencies which had already developed exceeded the unused balance remaining in the contingency fund, leaving no margin of safety to deal with any unforeseen emergencies which might have arisen.

Fortunately, for all of us, there were no crises requiring funds during this period, but it seems almost foolhardy to force the U.S. Government to operate in this manner.

Finally, I am, of course, frank to admit that in a program of this kind, when we are dealing with a worldwide security system in over 40 nations and with the technical and economic progress of 58 nations and territories, it is not possible to say to the dollar precisely how much money is needed to maintain the necessary strength of our alliances and the minimum economic progress to sustain the independence and stability of free nations important to us.

This is a matter of judgment. The objective test of success or failure will, in most cases, not be evident for several years, by which time it will be too late to correct a mistake made now.

I can only tell you that in the judgment of the President, in the judgment of Secretary Dulles and Secretary McElroy, under whose guidance these programs were prepared, in the judgment of Secretary Herter today, and in my judgment, the original sum requested for fiscal year 1960, \$3,930 million, was on the lower margin of safety.

The full sum authorized for appropriation, \$3,576 million is, in our judgment, below the margin which we feel we could conscientiously recommend.

#### HOUSE CUTS

The cuts proposed by the House are, as the President said on July 24, deeply below the minimum he considers necessary for the security of our Nation and the free world.

The disasters to which we fear these cuts would lead would be no less real and no less harmful because they might not become fully apparent for several years.

Mr. Chairman, you will hear in coming sessions a series of executive branch witnesses who will deal with the details of the military assistance and economic programs and with their political significance in various areas of the world.

In view of this, I shall not go into those details, except as you may wish to raise questions.

I would like to mention very briefly, however, two related appropriation items and certain important amendments added by the House, which would seriously hamper the administration of the program.

#### RESTORATION REQUEST

I refer, first, to the need for full restoration of the funds requested for administration of the programs by the ICA and the Department of State.

Only \$1 million of the proposed \$2,700,000 increase for ICA is for new positions and related expenses. These are primarily for staffing the recently opened missions in Africa, and, secondarily, for the strengthening of missions in Latin America.

No increase is being requested for administrative employment in Washington above the level authorized for fiscal year 1959.

The balance of the increase, \$1,700,000, is for full year salary costs and related expenses for positions which were financed for only part of the past year. These positions, established during the last year, were primarily connected with the successful accelerated recruitment and personnel improvement program, including language training, initiated during fiscal year 1959, pursuant to congressional direction.

## EFFECT OF HOUSE CUT

The House cut will not only prevent adequate staffing of the new missions in Africa, but also would force a significant reduction in the very programs which were initiated in fiscal year 1959 in response to congressional mandate.

The very small increase of \$241,000 requested for administrative funds in the Department of State is primarily to allow me to have a few added people of high quality to strengthen the coordination and supervision of this program and for related purposes.

The focusing by the authorizing legislation of additional responsibilities on my office makes this strengthening even more necessary, if possible, than when our request was submitted.

The House cut not only denies this needed small increase, but would actually compel a reduction of the administrative strength now available.

I must say that it is at least paradoxical that on the one hand criticism should be levied at the program for inadequate administration, and on the other hand that reasonable funds to recruit and employ qualified personnel should be denied.

The details of these administrative budgets will be presented to you later, but I wish to emphasize now my own belief in the importance of having funds to hire people of the quality needed to administer these billions of dollars of public money.

One related matter for which a part of these funds is intended should be mentioned:

The House committee report states that funds were denied for the International Development Advisory Board. This Board is created by statute as a means to bring the wisdom and experience of highly qualified private citizens to bear on the economic aspects of the mutual security program and to provide their advice to the Secretary of State and other officials engaged in administering the program.

The membership of the Board is bipartisan and, as the statute directs, it is representative of industry, agriculture, labor, science, and other major areas of private life. The function of the Board was specifically considered and approved by the Congress during the consideration of the authorization bill only a few weeks ago.

In view of this history, and in the absence of an express limitation in the appropriation statute, we feel that we should carry out the purpose of the authorizing act.

## AMENDMENTS AFFECTING THE ADMINISTRATION OF THE PROGRAM

There are three amendments to the appropriations bill which, if retained in the final action of the Congress, would seriously hamper the administration, or even totally defeat major purposes of the program.

## INVASION OF EXECUTIVE PRIVILEGE

Section 113 would prohibit the use of funds to carry out non-military provisions of the Mutual Security Act during any period when more than 20 days have elapsed between the request for and the furnishing of any paper relating to the administration of such provisions by ICA, if the paper has been requested by the General

Accounting Office or by a congressional committee, or duly authorized subcommittee.

This section is apparently an effort to compel the President to deliver any paper requested as provided in section 534(b) of the Mutual Security Act of 1959. The President, in signing this act, stated that he did so on the express premise that that section and two somewhat similar provisions are not intended to alter, and cannot alter, the recognized constitutional duty and power of the Executive with respect to the disclosure of information, documents, and other materials.

He added that any other construction of these amendments would raise grave constitutional questions under the historical separation of powers doctrine.

This position taken by the President in regard to the provisions of the Mutual Security Act of 1959, of course, applies with equal validity to section 113. The Congress is empowered to make appropriations, but the Congress cannot impose unconstitutional conditions upon the use of funds it appropriates.

The President, in the exercise of his constitutional duties, is required to determine what papers in the possession of the executive branch may be made available consistent with the public interest.

For Congress to provide that appropriated funds shall not be used unless the President disregards his constitutional duty of controlling the papers of the executive branch so as to serve what he determines to be the public interest would be a clear infringement of his constitutional rights.

The President's strong opposition to this amendment as an encroachment on his constitutional duties does not mean that we desire to withhold information from the Congress or the American people. We are deeply convinced that only if the people fully understand the program, its successes and its failure, will it receive the support it deserves.

#### DOMESTIC PROJECTS CRITERIA

Section 103 of the Mutual Security Appropriation Act, 1960, passed by the House, would prohibit the use of mutual security funds to finance any nonmilitary project which has not met the standards and criteria used in determining the feasibility of domestic flood control, land reclamation, and related projects in the United States.

We do, of course, apply an economic and technical feasibility evaluation to nonmilitary projects carried out in underdeveloped countries. However, it is neither practicable nor desirable to attempt to use abroad the domestic cost-benefit evaluation designed for the United States.

The domestic test presuppose the availability of a great variety of reliable statistics which are simply not available in underdeveloped countries.

In addition, the domestic test does not take into account certain factors of importance in such countries, such as the difficulty of predicting prices of and demands for products not previously available.

Moreover, the measure of benefit of projects under the mutual security program must include not only economic considerations, but foreign policy and national security benefits which cannot be evaluated in dollars and cents.



It should also be realized that the amendment would require these criteria to be applied to all kinds of projects carried out in the less developed areas even though in the United States they are applied only to flood control, reclamation, and related projects.

The authorizing committees have carefully reviewed the procedures employed in financing mutual security projects and have strengthened the legislation from time to time to assure an orderly and effective procedure for project financing appropriate to the foreign aid program.

Section 103 is both unnecessary and undesirable. Its procedures are not only inappropriate for use abroad, their adoption would seriously impede the administration of the program and the attainment of its objectives.

#### CONFLICT OF INTERESTS PROVISION

Section 112 would prohibit the use of any mutual security funds to enter into a contract with any person or company who offers to provide compensation to any ICA employee or who provides compensation to any ICA employee who has left ICA within 2 years of the date of employment with such person or company.

This extremely broad and loosely drafted provision is both unnecessary and harmful; it also raises serious constitutional questions.

Under this provision any of the hundreds of great and small industries of the Nation which are ICA suppliers would be cut off from wholly legitimate contracts if they employed a typist recently in an ICA clerical pool. The typist, or any other ICA employee, would be precluded from perfectly proper employment by a larger segment of American industry and over 50 universities open to all other Government employees, and all this totally without regard to any considerations of wrongdoing by such employees or such industry or university.

The Congress has already dealt with the protection of the legitimate interests of the Government in the general conflicts of interests statutes applicable to all Government employees and particularly by section 512 of the Mutual Security Act which provides heavy penalties for conflict of interest with regard to procurement under the mutual security program.

#### RESTRICTION ON RECRUITMENT

This arbitrary provision would greatly increase ICA's difficulty in employing qualified personnel since all potential employees would know that they would be excluded from future employment in large areas of American life.

On the other side, it would impose an unwarranted and unreasonable hindrance on the freedom of such universities and industries to choose their employees.

Furthermore, the provision is virtually impossible to administer as ICA could hardly maintain surveillance of all ex-employees for 2 years after the end of their employment in order to know whether they secured employment with some one of the many hundreds of contractors and suppliers who serve ICA.

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Finally, this provision would appear to raise serious constitutional questions in view of its patent infringement of personal rights without cause or due process of law.

In these brief remarks I have tried to underscore the fact which I believe must be obvious to all that the security of our country is dependent upon our common defense arrangements with our allies and that their strength and their ability to provide military forces, bases, strategic resources, and productive capacities essential to the defense of the free world rests heavily upon the resources and skilled manpower which we provide under our mutual security program.

I have also tried to emphasize that in this great era of economic change it is imperative to our own national well-being, as well as to our conscientious concern for the welfare of our fellow human beings, that we take imaginative, vigorous, and resolute action to help our friends among the nations in their determined efforts to make economic progress.

This, too, can be done only through the adequate provision of funds and technical assistance under our mutual security program.

Perhaps most important of all, however, is the imperative need that the United States meet the challenge of this turbulent era with determination and perseverance.

The funds now authorized by Congress are, I feel, the very least that we should reasonably commit to this great enterprise. I urge upon you that they be made available.

Thank you, Mr. Chairman.

Chairman HAYDEN. Senator Ellender has asked some questions. Are there any other Senators on the committee who would like to ask questions?

Senator ROBINSON. I would like to make a comment and not ask a question.

While I may not agree 100 percent with Secretary Dillon on the subject of economic aid, I do appreciate his ability and I am very happy that he is in the second ranking position in our State Department in this critical period.

Chairman HAYDEN. Mr. Saltonsall.

#### DEVELOPMENT LOAN FUND

Senator SALTONSTALL. Mr. Dillon, may I ask you what I might call technical questions?

In this Development Loan Fund you are asking a reclama of \$650 million, which would be approximately \$50 million over and above the authorization in this bill.

Now, do I understand that that is to be applied to the second year of the authorization?

Mr. DILLON. We are asking for an increase over the House figure of \$150 million for use in the fiscal year 1960, which would provide the full amount authorized.

We are asking for an additional \$500 million against the authorization of \$1.1 billion which was voted for use only in fiscal year 1961.

So that is \$500 million we are asking be appropriated now, but with the proviso it could not be used until fiscal year 1961 and this is in order to provide that measure of continuity which we feel is desirable and which the Congress voted in making that 2-year provision.

Senator SALTONSTALL. The authorization bill read 2 years, did it not?

Mr. DILLON. That is correct.

Senator SALTONSTALL. How much money is involved in the 2 years?

#### AUTHORIZATION ACT LIMITATION

Mr. DILLON. The authorization bill authorized the total of \$1.8 billion for 2 years and said that only \$700 million of that can be utilized in the fiscal year 1960.

We are asking for the full amount of \$700 million for fiscal year 1960.

They authorized \$1,100 million for the fiscal year 1961, and we are requesting at this time only \$500 million of that to provide this continuity which we feel is necessary.

It is our intention later this fall, when we have more knowledge regarding the other international financing institutions such as the developments in regard to this International Development Association, to decide how much additional we will have to request for fiscal year 1961.

Senator SALTONSTALL. So what we are doing in fiscal 1960 is to appropriate for 2 years?

Mr. DILLON. That is correct, except that the \$500 million we are asking for fiscal year 1961 now does not indicate that is all we will require for that year.

Senator SALTONSTALL. In the instance here where the House has appropriated the full amount of the authorization act, you ask us to take away money. You ask us to take away money from the Organization of American States, from the ICEM, the escapee program, and the ocean freight charges, U.S. voluntary relief agencies.

#### UNOBLIGATED BALANCES

Mr. DILLON. The reason for that, Senator, is that the House in passing their authorization bill also authorized the continuation of unexpended balances.

In these particular cases unexpended balances and the full amount of the funds provided under new appropriations amount to more than we asked for.

So the amounts we are asking to be taken away in these specific instances represent the excess of the unexpended balances that were also made available. We do not need them. It is more than we expected.

Senator SALTONSTALL. That raises one other question that I would like to ask: You have, of course, unexpended balances in all these other accounts, have you not?

Mr. DILLON. Not in all of them; no, sir. We have a small unexpended balance in the technical cooperation program which is taken account of there because we are asking for only \$25.6 million instead of \$29.5 million.

I am talking about unobligated balances. I used the wrong words in saying unexpended. I meant unobligated.

Senator SALTONSTALL. Unobligated as opposed to obligated?

Mr. DILLON. That is right.

Senator SALTONSTALL. The obligated, of course, are unexpended, but you have to expend them?

Mr. DILLON. Yes.

Senator SALTONSTALL. The unobligated could be withheld or withdrawn?

Mr. DILLON. That is correct.

I want to correct the earlier statements I made. I was referring in all cases to unobligated funds.

#### TOTAL UNOBLIGATED FUNDS

Senator SALTONSTALL. Do you know how much of the whole program are the overall unobligated funds now?

Mr. DILLON. \$70 million and \$34 million of that is continued available without further appropriation. It is by law. So that there is actually a total of \$36 million that was reappropriated here by the House.

Senator SALTONSTALL. Only \$34 million that is unobligated?

Mr. DILLON. A total of \$70 million, but \$34 million of that was continued automatically by law and there was \$36 million we would have lost, that the House has reappropriated.

Senator SALTONSTALL. So that you have \$34 million of unobligated funds. How much of obligated funds unspent do you have?

Mr. DILLON. \$4,800 million.

Senator SALTONSTALL. So that with this new program of approximately \$3 billion, you will have approximately \$7 billion of obligated and new funds to spend in the current year or to work out in the current year?

Mr. DILLON. With the \$4.8 billion unexpended and \$3.5 billion, which was authorized, which we are requesting, it would make a total of about \$8.3 billion.

#### HOUSE HEARINGS

Senator SALTONSTALL. Perhaps Mr. Murphy can tell me: Is that all set out in the House hearings?

Mr. MURPHY. Yes, sir; it is. We have tables.

Senator SALTONSTALL. Could you refer at this point in Mr. Dillon's testimony at what pages in the House hearings that is set out so that we will not have to put it in again in these hearings?

Mr. MURPHY. Yes, sir; I can.

Senator SALTONSTALL. That would be fine.

(See p. 179 for statement on unexpended funds.)

(The table referred to appears on pp. 1050-1051 of the hearings of the House Appropriations Committee on the mutual security bill for fiscal year 1960.)

#### ATOMS FOR PEACE PROGRAM

Mr. DILLON. Senator, there are also a number of other places here where you will see the figure of restoration requested and the amount asked by the House does not total the full amount of the authorizing bill and in each case that is because we have taken account of unexpended balances, with one exception—

Senator SALTONSTALL. You used the word unexpended again.

Mr. DILLON. Unobligated, excuse me, sir.

With one exception. In the atoms for peace program we have reduced our request to a total of, counting unobligated funds that were carried forward, to a total of \$4.8 million against an original request of \$6.5 million.

Senator SALTONSTALL. My listing shows to me that you have asked for less than the authorization in two accounts and you have asked us to take away in four accounts and in all the others to restore for the full amount, and in the development loan fund to restore more than the full amount of this year's authorization.

Mr. DILLON. The development loan fund is not more than this year's authorization. We only asked to restore 150 for this year and we asked for the 500 against authorization that was voted for next year.

Senator SALTONSTALL. For next year?

Mr. DILLON. Yes.

Senator SALTONSTALL. Might I ask one more question, Mr. Chairman?

Chairman HAYDEN. Certainly.

#### LANGUAGE AMENDMENTS

Senator SALTONSTALL. These three sections that you ask us to strike out you consider very, very fundamental?

In other words, if those sections were left in, would the administration of the act be impossible?

Mr. DILLON. The first one regarding information is felt by the President to be a fundamental constitutional question which is above and beyond just the question of the State Department or administration and the other two certainly make the administration of this act very, very difficult, if not impossible.

Certainly this benefit-cost ratio would be an impossible thing to administer. It has been considered in the past by those doing the authorizing process rather carefully and every time it has been rejected.

They have put in substitute language which is workable which we think accomplishes the objectives of the people who want to be sure that this money is spent well.

Senator SALTONSTALL. Are you satisfied with the substitute language we had last year?

Mr. DILLON. Yes.

Chairman HAYDEN. Are there any further questions?

Senator DWORSHAK. I would like to ask a few, but I defer to others.

Senator ELLENDER. Go ahead, Senator.

Senator DWORSHAK. Are you going to rotate, Mr. Chairman? I am sure other Senators have questions, too.

All right, I will be glad to take a few minutes at this time.

#### SITUATION IN VIETNAM

Mr. Dillon, you know that in these hearings in the past few years, and probably prior to your assumption of these duties, there has been considerable criticism on Capitol Hill, in Congress, because of maladministration, blunders; sometimes probably the criticism is not

fully justified as is contended now by your agency in regard to the situation in Vietnam.

However, notwithstanding the reports which have been made frequently by the commissions named by the President to check up and investigate the efficacy of this particular program, I am sure that very little, if anything, has been done to improve administration, to diminish these blunders, and to make the entire program more effective.

Now, in a few words, can you tell us what, if anything, has been done, so far as you know, to improve this program and to minimize this constantly rising tide of criticism from Congress and the entire Nation?

Mr. DILLON. In the last 2 years, I think very considerable strides have been made. I think most of the criticisms that you hear reflect earlier happenings.

#### DETAILED AUDIT AND CONTROL FUNCTION

During the last couple of years the Office of Comptroller, in ICA, headed by Mr. Murphy, has been expanded and is now conducting, and has been, I would say, for the past year, a very much more detailed audit and control function throughout the whole ICA operation in the field.

This has resulted in very many changes which we think are helpful and we do not think that there is now anywhere near the same possibilities for loose administration that probably existed when the program began. It was with the idea of even further strengthening that that Congress recently authorized the creation of the post of Inspector General which would be attached to the State Department, in my office, separate from the rest of ICA, and Mr. Murphy will be appointed to that job as of today, and I think can do an even better job.

Chairman HAYDEN. Is he to be a sort of Devil's advocate?

Mr. DILLON. He is going to be an Inspector General; that is right; sir. He will go around and make sure that everything is done right. If it is not, to bring the matter directly to my attention rather than have it buried in the ICA.

Senator DWORSNIK. You are going to have only one Inspector General?

#### OBLIGATING PROCEDURE

Mr. DILLON. He will have quite a few assistants.

The other major thing which I think has been done is the new regulations which have gone into effect so that during the course of the past year no money is obligated for any project until the plans or specifications have been fully prepared, have been checked out, and cost estimates received.

In the early days of the ICA, before we developed this much experience, when they went to these countries they made what has turned out probably to be a mistake in administration, in agreeing to build a road or a dam or something of that nature at a place they thought was useful without having the direct estimates on the costs and adequate knowledge of what was involved.

So, in many cases the costs far outran the original estimates.

We do not think that that will be the case from here on out.

Now, on the other side of the program, the military assistance side, there have been very dramatic improvements in their control of this program, too. Just within the last year and a half they have put in a whole new audit system out of the Department of Defense Comptroller's office.

I think one interesting thing is that in very many cases, in the reports of the Comptroller General during this year, when he has found things which he did not feel were proper they had been first found and brought to attention by the ICA Controller himself.

So it was not as if things were being found that we were not aware of. They were past things which had been wrong, and which we are now correcting.

Senator DWORSHAK. You do think, then, that some progress is being made in adopting greater efficiency and eliminating waste?

Mr. DILLON. Very considerable.

Senator DWORSHAK. In the face of that development you probably will not require as large appropriations to accomplish the same amount of work?

Mr. DILLON. I would say that that is probably correct, Senator.

The amount of money we are using is being better used now. We are getting more for our dollar than we did before and, therefore, we are asking, I think, with the exception of the Development Loan Fund, which is a new institution, we are asking for less money than we did have in the past.

#### COOPERATION OF NATO COUNTRIES

Senator DWORSHAK. Mr. Dillon, you know that in the past few years that I, as well as other Members of Congress, have been somewhat critical of the failure of our allies in the NATO setup to cooperate as fully as we think they should, especially in providing manpower because they say we provide the dollars and they provide the manpower.

With the exception of the United States and Canada, the other members of NATO have about three times the population that we have, so they have a great resource capability of manpower.

In the past few years, as we have received reports from NATO commanders about the failure to recruit the 60 divisions, there has always been a hush-hush attitude; it is classified. I have almost gotten under the table at times at hearings for fear we might divulge some of this highly classified information.

#### WASHINGTON EVENING STAR ARTICLE

It is quite a coincidence that last night in the Washington Star, dated Tuesday, August 4, 1959, there is an article by an Associated Press news feature writer with the heading "How Strong Is NATO, Free World Defenses in Europe Grow Thin."

It is a very interesting article. I am sure you have read it.

Mr. DILLON. I have not happened to see that one.

Senator DWORSHAK. I will quote one paragraph:

On June 6, 1959, General Norstadt said that the Allies' greatest danger might spring from weaknesses which would invite Soviet exploitation. General Norstadt told a long meeting that the weakness of NATO might start a Soviet

probing operation which might well get out of hand. General Norstadt went to Washington last spring to report on NATO's military posture to the U.S. Congress. He said that 21½ divisions now assigned to NATO were not enough; that he needed a minimum of 30 divisions equipped with atomic weapons and more missiles. Whether NATO really possesses 21½ combat effective divisions is open to debate.

Now, I direct your attention to that. I want to emphasize that while we have been warned and admonished in this committee never to divulge how many active divisions have been recruited by NATO countries, here we have an Associated Press article circulated throughout the country, throughout the world, available to our enemy nations, potential enemy nations, and there we have a full report on the inadequacy of NATO military organizations.

Now, what do you have to say about that? Are you satisfied with the kind of cooperation and support we have been receiving from these nations, that notwithstanding the original objective of 60 divisions we have 21½ divisions, 5 of those constitute American forces, 7 poorly recruited German forces, and only 9 poorly recruited and poorly equipped divisions contributed by all of our other allies.

#### INVITATION TO AGGRESSION

Are you not disturbed by disclosures like this? You have known about this situation as the members of the committee have, but what has been done to correct it? Or are we facing the possibility, as the reporter points out, that we may be actually inviting aggression by the Soviets because of the weakness of NATO?

Mr. DILLON. Senator, I think I can answer that. In the first place, I think that our allies' divisions, I think the facts will bear out and you will get that testimony from military witnesses, that they are fully equipped and they are full divisions.

Certainly the British forces are very good forces and so are the Benelux forces. I think that is generally true of the divisions that are actually available.

The German forces are in the process of rapid growth toward their estimated total, or their expected total of ——— divisions.

There is every indication that that total will be met. They are on schedule and they will make fine fighting divisions, well equipped divisions.

The Germans have good equipment. The only problem with them now is that in the process of building up naturally they have a lot of people who are not as well trained as they will be in another year or two when this full ——— division total is met.

#### DIVERSION OF FRENCH FORCES TO AFRICA

The one great weakness we have, which we are all aware of, is the fact that a great number of French forces have been diverted to Algeria because of the war going on there and the fact that they are not available to NATO in Europe, in central Europe, does make the forces there weaker than we would like to see them, or that General Norstadt would like to see them.

That is a special situation which we are all aware of.



Senator DWORSHAK. I do not think I will take any more time, Mr. Chairman. I have other questions, but I will wait until other witnesses appear.

Thank you very much.

Chairman HAYDEN. Mrs. Smith.

#### INFORMATION PROVISION

Senator SMITH. Mr. Secretary, in stating your objections you referred to what I think would be along the lines of section 550 of the Mutual Security Act, page 10. After section 549 add the following new section, section 550. Information policy:

Any person shall, under the reports section 534, on response to requests from Members of the Congress or inquiries from the public, make public all information concerning the mutual security program not deemed by him to be incompatible with the security of the United States.

Would you comment on that as to whether you would agree that would be all right?

Mr. DILLON. That would be perfectly all right.

Senator SMITH. You are satisfied with that?

#### STATEMENT BY THE PRESIDENT

Mr. DILLON. Yes. As long as the President has that ability to say that. The President made a formal statement when he signed the present mutual security bill, which might well be put in the record at this point, which gives his word on this subject.

Senator SMITH. May we have that in the record, Mr. Chairman?

Chairman HAYDEN. That may be done.

(The statement referred to follows:)

(Immediate release—James C. Hagerty, Press Secretary to the President)

THE WHITE HOUSE, July 24, 1959.

#### STATEMENT BY THE PRESIDENT

I have today signed H.R. 7600, a bill amending the Mutual Security Act of 1954. Three amendments made by the bill concern disclosure by the executive branch of information, documents, and materials relating to the mutual security program or certain of its aspects.

I have signed this bill on the express premise that the three amendments relating to disclosure are not intended to alter and cannot alter the recognized constitutional duty and power of the executive with respect to the disclosure of information, documents, and other materials. Indeed, any other construction of these amendments would raise grave constitutional questions under the historic separation of powers doctrine.

In this connection, I am constrained to emphasize once again that it is established policy of the executive branch to provide the Congress and the public with the fullest possible information consistent with the public interest. This policy will continue to guide the executive branch in carrying out the mutual security program so that there may be a full understanding of the program and its vital importance to the national security.

#### COMMUNIST NATIONS

Senator ELLENDER. Now, Mr. Dillon, will you kindly name the 17 nations which are ruled by the Communists?

Mr. DILLON. We will start with the Soviet Union.

Second is Communist China.

Third is North Korea.

Fourth is North Vietnam.

Fifth, we have Poland.

Sixth, we have Czechoslovakia.

Seventh, we have Hungary.

Eighth, we have Bulgaria.

Ninth, we have Rumania.

Tenth, we have Albania.

Eleventh, we have Estonia.

Senator ELLENDER. Wait a minute. Isn't Estonia part of Russia, now? At one time it was an independent country.

Mr. DILLON. It was taken over by conquest by the Soviet Union.

Senator ELLENDER. It belonged to Russia before it became independent, I believe?

Mr. DILLON. At one time in the past; that is right.

Senator ELLENDER. Go ahead. You count Estonia? I will not argue with you.

Mr. DILLON. Estonia, Lithuania, Latvia, 13 and 14.

We have parts of Germany.

We have outer Mongolia.

Senator ELLENDER. That is part of China.

Mr. DILLON. No sir; that is an independent country. It is more taken over by the Russians than it is by China.

Senator ELLENDER. Well, it was at one time part of China the same as Tibet was.

Mr. DILLON. The next one is Tibet. We have gotten to 16 now. Let us find the 17th.

Senator ELLENDER. I was wondering—that is why I asked the question. Of course, when you add Lithuania and Estonia and Latvia, you do inflate the total.

Mr. DILLON. I was just informed that this is a repetition of a figure that was a count made by Secretary Dulles. They took the figure from that.

(The following information was subsequently furnished:)

The 17th is Sakhalin and the Kuril Islands taken from Japan in 1945.

#### STATUS OF YUGOSLAVIA

Senator ELLENDER. Of course. Many statements made here today and many that have been made in the past have been along the same lines each year. We have the same parade of the same officials giving us the same story about the threat of communism, notwithstanding all of the aid we have given.

Senator KUCHEL. Do you put Yugoslavia in that group?

Mr. DILLON. No, sir; because it is not part of the Communist bloc now.

Senator ELLENDER. Mr. Dillon, would you be able to list for us the types of communism prevailing in the countries mentioned compared with that which prevails in Russia.

In other words, what I have in mind is, would you say that the communism that prevails in Poland is of the same stamp as that prevailing in Russia?

Mr. DILLON. Philosophically and by ideology, the Polish Communist leaders are very close, if not identical, with the Soviet leaders.

#### SITUATION IN POLAND

However, in Poland there are some marked differences. There is a greater freedom of contact with the West. They do not jam our radios; they allow in newspapers; things of that nature.

Senator ELLENDER. So that you would not consider Poland in the same category as Russia?

Mr. DILLON. No; we do not.

Senator ELLENDER. Nor would you consider Hungary in the same category as Russia?

Mr. DILLON. I think Hungary, the way they are operating now, is very close to the Russian model.

Senator ELLENDER. You are familiar with the fact that they have never been able to communize the farms there, I am sure.

Mr. DILLON. They have had an unsuccessful attempt at that.

Senator ELLENDER. Eighty-eight percent of the farmland is still owned by the peasants and they have not been able to communize them or collectivize them. You know the same thing holds true for Czechoslovakia.

Mr. DILLON. They had quite a war in Hungary a year or so ago about that.

Senator ELLENDER. Well, I will not go into that.

But there are two sides to that, too, you know. Can you name any of the countries you have just mentioned, except probably China, which has the same kind of communism as Russia?

Mr. DILLON. I would say that the communism in China may be in some extents worse, more extreme.

#### COMMUNISM IN ISRAEL

Senator ELLENDER. How about the communism in Israel?

Mr. DILLON. In Israel?

Senator ELLENDER. Yes.

Mr. DILLON. They don't have any communism there.

Senator ELLENDER. They do not?

Mr. DILLON. They have some socialism there.

Senator ELLENDER. I believe that in parts of Israel, as my report shows, you have in a small way the worst kind of communism.

Did you ever read my report on Israel?

Mr. DILLON. Not in full, Senator. I will be glad to.

Senator ELLENDER. I wish you would.

Mr. DILLON. I will.

Senator ELLENDER. The only difference is that in Israel they have the freedom to dispose of the goods produced by these various organizations on the free market. However, as I remember, there is a certain area of Israel where 16 percent of the people and of the land owned by them comprises a communism equal to that which now prevails in China.

They have communes. As I said, the only difference is they sell their goods on the free market, but that is the only difference.

## RUSSIAN ASSISTANCE TO UNDERDEVELOPED COUNTRIES

Now, Mr. Dillon, you stated a while ago that you do not object or should not object to Russia assisting underdeveloped countries. You have no such objection?

Mr. DILLON. No; I don't.

Senator ELLENDER. Can you name any country in which Russia has given assistance which is completely satisfied with the operations of the Russians?

Mr. DILLON. Complete satisfaction?

Senator ELLENDER. Yes.

Mr. DILLON. I can give a number of places where there has been no dissatisfaction.

## AFGHANISTAN

Senator ELLENDER. Let us take Afghanistan.

Mr. DILLON. All right.

Senator ELLENDER. Is there complete satisfaction there?

Mr. DILLON. I don't know whether they are completely satisfied, but their ties are becoming closer and closer with the Soviets and they have reached the stage, whether they are satisfied with it or not, where they are becoming very heavily dependent on the Soviet Union for their continued existence.

Senator ELLENDER. Do you not think there is a good reason for that?

Mr. DILLON. You mean geographical propinquity?

Senator ELLENDER. Yes, geographical propinquity. It is cheaper for them to get oil from the Soviets.

Mr. DILLON. That is one thing, but the Soviets have made a recent agreement with them whereby they accept Afghanistan money up to 10 times more than its real value in payment for transport across the Soviet Union so that the whole transportation system of Afghanistan is becoming directed across the Soviet Union rather than through Pakistan.

Senator ELLENDER. What is wrong with that? Do we not subsidize many of our friends? Is it along the same lines of our aid to Pakistan and other countries where we furnish aid to gain friends?

Mr. DILLON. I do not think we are trying so much to gain friendship. We are trying to help these countries stay free.

Senator ELLENDER. Do you get the desired results?

## EUROPEAN PROSPERITY

As Senator Dworshak pointed out a moment ago, we have assisted Western Europe until it hurts and I have not met a single visitor who came from Europe this year or last year who did not say that they have never seen such prosperity as now exists there. Do you agree with that?

Mr. DILLON. Europe is very prosperous.

Senator ELLENDER. Why aren't the countries of Western Europe helping us with underdeveloped countries of the Near East, Africa, and southeast Asia?

As you know, we are the only ones there now.

Mr. DILLON. I don't think that is quite correct.

Senator ELLENDER. Except for the local people, of course.

Mr. DILLON. I very much agree with you on that point, Senator. It has been one of our cardinal points and one of the things that we take considerable satisfaction in has been the fact that during the past year there has been a very substantial increase in the contribution by England, as well as Germany and a number of other countries.

Senator ELLENDER. In what manner?

Mr. DILLON. They joined in this program for stabilization in Turkey.

Senator ELLENDER. Which primarily benefits them.

I am talking about grant and loan aid.

Mr. DILLON. These are loans.

#### COLOMBO PLAN ASSISTANCE

Also, of course, the British and the Canadians, the Colombo plan countries, they give grants for their Colombo plan assistance.

Senator ELLENDER. In a very small way. To what extent have they increased?

Mr. DILLON. The Canadians have increased theirs this past year from \$30 million to \$50 million.

Senator ELLENDER. What is the total amount spent by the Colombo plan countries to date?

Mr. DILLON. I will put that in the record.

(The information referred to follows:)

#### STATEMENT ON COLOMBO PLAN AID

Total contributions in millions of U.S. dollars to the Colombo plan by donor countries other than the United States through June 30, 1958, using current exchange rates were as follows:

|  |        |
|--|--------|
| Australia.....                             | \$61.2 |
| Canada.....                                | 105.0  |
| New Zealand.....                           | 23.1   |
| Japan (from 1954).....                     | 0.9    |
| United Kingdom.....                        | 336.3  |
| India and other countries (estimated)..... | 2.0    |
| Total.....                                 | 618.5  |

The greater part of the above assistance was for technical cooperation purposes; i.e., participants, technicians, and demonstrational type equipment. Canada has made available almost 90 million U.S. dollars in grants and loans for wheat purchases, which they do not classify as Colombo plan aid.

For the period ending June 30, 1958, the U.S. Government aid to the area through our regular programs, mutual security (including Development Loan Fund and the President's Fund for Asian Economic Development), Agricultural Trade Development and Assistance Act, and Export-Import Bank totaled ap-

proximately \$4 billion. This breakdown by country and by major components in millions of dollars:

|                  | ICA<br>mutual<br>security<br>program<br>(excluding<br>regional<br>programs) | Public<br>Law 480,<br>title I | Export-<br>Import<br>Bank | Develop-<br>ment<br>Loan<br>Fund |
|------------------|---|-------------------------------|---------------------------|----------------------------------|
| Burma.....       | 43.8  | 40.7                          |                           |                                  |
| Cambodia.....    | 145.4   |                               |                           |                                  |
| Ceylon.....      | 12.0  | 6.3                           |                           | 1.6                              |
| India.....       | 414.5   | 419.4                         | 151.9                     | 75.0                             |
| Indonesia.....   | 75.6  | 96.7                          | 101.8                     |                                  |
| Laos.....        | 165.0   |                               |                           |                                  |
| Nepal.....       | 14.0  |                               |                           |                                  |
| Pakistan.....    | 394.4   | 186.1                         | 3.3                       | 5.5                              |
| Philippines..... | 188.2   | 14.4                          | 45.7                      |                                  |
| Thailand.....    | 160.0   | 4.6                           | 2.3                       |                                  |
| Vietnam.....     | 1062.7  | 6.0                           |                           |                                  |
| Total.....       | 2672.2  | 774.2                         | 305.0                     | 82.1                             |

Most of the U.S. assistance in the Colombo plan area has been defense support (particularly Vietnam), Public Law 480 title I assistance, Development Loan Fund, and Export-Import Bank loans. The sums spent under technical cooperation for the type of technical assistance provided by other countries approximates that spent by such donors for the same or similar purposes.

Final figures for 1959 are not yet available. For the three current principal categories mutual security program (fiscal year 1959 funds), Public Law 480 title I, and Development Loan Fund preliminary estimates in millions of dollars are:

|                  | ICA<br>mutual security<br>aid<br>(excluding<br>regional<br>programs) | Title I,<br>Public<br>Law 480 | Develop-<br>ment Loan<br>Fund |
|------------------|--|-------------------------------|-------------------------------|
| Burma.....       | 7.9  |                               |                               |
| Cambodia.....    | 24.9   |                               |                               |
| Ceylon.....      | 1.6  | 14.7                          | 1.7                           |
| India.....       | 7.4  | 240.6                         | 100.0                         |
| Indonesia.....   | 7.2  | 40.3                          | 9.0                           |
| Laos.....        | 25.4   |                               |                               |
| Nepal.....       | 2.5  |                               |                               |
| Pakistan.....    | 100.8  | 85.9                          | 83.7                          |
| Philippines..... | 18.0   |                               | 23.8                          |
| Thailand.....    | 24.0   |                               | 21.8                          |
| Vietnam.....     | 181.3  |                               |                               |
| Malaya.....      |  |                               | 20.0                          |
| Total.....       | 399.4  | 381.5                         | 260.0                         |

As of June 30, 1959, approximately \$75 had been obligated under the President's fund for Asian economic development (AEDF) for the benefit of the Colombo plan area.

#### CONTRIBUTIONS TO PLAN

Senator ELLENDER. Do you know how much we contribute?

Mr. DILLON. To the Colombo plan?

Senator ELLENDER. Yes.

Mr. DILLON. Our aid we have classified as bilateral aid so I do not know whether it is directly comparable, but it is not funneled through the Colombo plan. We can give you the total amount we have spent in the countries of the Colombo plan. We can figure that out.

I assume it is a lot more than the British and the United Kingdom and Australia have spent.

Senator ELLENDER. In the light of the prosperity that exists in Western Europe, are you satisfied with the contributions the countries of this area are making in order to assist us?

Mr. DILLON. I do not think we are fully satisfied as yet, Senator. We are going to continue to work with them until we are.

#### INTERNATIONAL DEVELOPMENT ASSOCIATION

That is one of the main reasons for exploration of the proposal for an international development association because it would be a means whereby the Western European nations and the other more industrialized nations, such as Japan and Canada, would be able to join with us in a bigger way.

We also feel, and this has been welcomed by both the Germans and the British, that there should be closer coordination between our foreign aid activities, and that is also the feeling of General de Gaulle of France.

Senator ELLENDER. This is only recently?

Mr. DILLON. This is relatively recently.

Senator ELLENDER. But do you not feel that they should have come forward voluntarily with assistance?

Mr. DILLON. Well, I think they came forward about as soon as their economies got in good shape over there. That is a sort of difficult argument to know just when they should have, whether one year or another year. I don't know that I can answer that.

Senator ELLENDER. I have been talking about it for the past 5 or 6 years and no progress has been made.

On the contrary, we have gone deeper and deeper into debt while assisting them.

#### EXPENDITURES IN WESTERN EUROPE

For instance, in this bill, as I recall, there is \$1.1 billion for military assistance to the prosperous countries of Western Europe.

Do you not think that the Western Europeans are in a position whereby they can absorb a good deal of that? Why should we have to spend that amount of money?

Mr. DILLON. I think you probably have reference to the amount of funds for NATO. That was a proposal that was in one of the versions, the Senate version of the authorizing bill which was removed in conference and the amount which will be spent in the NATO area is far less than that.

Senator ELLENDER. I am sorry. It is about \$700 million?

Mr. DILLON. It is more than that.

Senator ELLENDER. Now, with the prosperity that exists there and with the enormous debt that is on our shoulders, do you not think that these people are able to assist us in carrying this burden?

Mr. DILLON. Well, the countries that are best able, the United Kingdom, for instance, are paying their own way militarily and they are also assisting us in the underdeveloped areas.

Senator ELLENDER. Mr. Dillon, you are spending millions of dollars in England supporting our own forces there.

Mr. DILLON. You mean the pay of our officers and our men?

Senator ELLENDER. Yes.

We have many troops there. In addition we have constructed many airfields and many houses which by the way contributed greatly to the British economy.

Mr. DILLON. Yes.

Senator ELLENDER. And we are assisting, as I understand, in putting up the missile bases in England.

Mr. DILLON. As I understand that arrangement, the British are doing the construction of the bases and we are providing the missiles.

Senator ELLENDER. Do you not think that they ought to provide some of those, too? That is the most costly thing.

Mr. DILLON. This was a specific arrangement to get these IRBM's rapidly deployed. The British were not able to afford a purchase of that magnitude in dollars. They were developing one of their own and it was thought this was the most rapid way to get ahead.

#### SITUATION IN ITALY

Senator ELLENDER. We have the same situation in Italy. Economic progress is being made there at a mighty fast rate. Why should we not get Italy to make contributions toward the establishment of the missile bases which are being provided not only for our defense but also for the defense of Italy and Western Europe.

Mr. DILLON. They will make some contribution. They contribute the land. They make some contribution for the facilities and they will handle the upkeep of the bases once they are completed in Italy.

Now, the Italians are also ready to help in the economic assistance in the Middle East for the first time in a fairly substantial way, which will be very helpful.

Senator ELLENDER. When will that take place?

Mr. DILLON. I think it is taking place to some extent all the time, but they are prepared to join this international development association or to help our development thing or any specific things in the Near East. They have so informed us.

Senator ELLENDER. As our allies assist, do you propose to reduce our assistance?

Mr. DILLON. This would be taken account of and naturally as the needs are met, ours will gradually be smaller.

Senator ELLENDER. I notice in your statement, Mr. Dillon, that you do not go into details but as you stated you hope to have the details furnished by other people in your organization.

Mr. DILLON. The military people will be coming up here to justify the military assistance budget in detail. I will be coming back, myself, for the Development Loan Fund at the end. The people from the ICA will be here in between from all the different regions and countries. I am prepared to answer any questions about any of these things.

Senator ELLENDER. I understand that, but I do not want to go into details now. I expected to do it but since it is going to be presented later, I will wait.



## PERSONAL INSPECTIONS

Do you make any personal inspections of the program abroad, Mr. Dillion?

Mr. DILLON. Not in the sense of detailed inspections. Last year I did travel to quite a few of the countries throughout the Middle East, where we have programs and spent about 3 days in each country to get as much of a first-hand look as I could but I do not consider that an inspection.

Senator ELLENDER. On the Washington level the State Department as well as the ICA is entirely dependent on figures furnished by the people administering these programs abroad. Am I correct?

Mr. DILLON. On the people in the field, that is correct except for the auditing function which lodges with Mr. Murphy where they go out and make reports.

## GENERATION OF PROGRAMS

Senator ELLENDER. The administrators of these programs abroad are more or less given carte blanche to generate programs in those areas which in their minds, will be most beneficial?

Mr. DILLON. They are given the authority, in fact they are asked to recommend programs to Washington and then these programs here are put through a very careful screening procedure which is another of the real improvements that has taken place in the last few years where the various agencies of the government, the Bureau of the Budget, the Department of Agriculture with their Public Law 480 as well as State, Defense and ICA people sit in when these are considered and we finally come to an overall program after a couple of months of that sort of consideration here.

Senator ELLENDER. In other words, the people on the Washington level depend almost entirely upon the information coming in from people in the field?

Mr. DILLON. I think that is correct; yes.

Senator ELLENDER. I mean those who are administering the programs in the various countries?

Mr. DILLON. Yes, I think that is correct.

Senator ELLENDER. Now, how can a program be evaluated if the details are not known? The reason I am asking that question is this: As you well remember I wrote you under date of July 24 requesting specific information. Unfortunately, your reply came only last night, and I have not had a chance to look through it. However, there is a pertinent paragraph in your letter which I would like to call to your attention:

There are two points on which the booklet is not completely responsive to your letter. First, the cost estimate at the time the project was initiated is not given and second, the small projects, those with less than a million in 1960, with various funds or with less than \$5 million cumulative to that date, are excluded.

## RETENTION OF FACTS BY ADMINISTRATORS IN THE FIELD

You give as your reason that all those facts are not sent to Washington but they are retained by the administrators in the field. How do you expect to evaluate programs in Washington if you do not have the details?

Mr. DILLON. Senator, I think that is a valid criticism and we have already decided in our presentation next year we would have all that information.

Senator ELLENDER. Why wait until next year? I have been bringing this to the attention of the administrators of this program right along. All of these programs are worked up, by the people who are employed in the field and, of course, it is only human nature for them to avoid any criticism. Am I correct?

Mr. DILLON. That is correct.

Senator ELLENDER. You would not expect them to criticize their own work, would you?

Mr. DILLON. That is why we have this Inspector General.

Senator ELLENDER. Yes, but that is new. When will you start, Mr. Murphy?

Mr. MURPHY. Tomorrow.

Mr. DILLON. But he has been directing auditors for some time and he has been very effective and we have been getting this information.

Senator ELLENDER. I am glad that a man like Mr. Murphy will go out there and I will be glad to spend a few hours with him to show him some few soft spots I know of.

Mr. DILLON. I think that will be very useful.

Senator SALTONSTALL. Will the Senator yield on that point?

Senator ELLENDER. Surely.

#### TRIBUTE TO MR. MURPHY

Senator SALTONSTALL. I would like to say that Mr. Murphy is being promoted and sworn into a new job today because of his efficient work. I am sure he is glad to hear the statement that the Senator from Louisiana just made about him.

Senator ELLENDER. I want to say to Mr. Murphy that he knows the program on the Washington level from A to Z but he does not know much about it abroad. I do hope he will spend a few months studying it so that he will be familiar with it. I believe he will come to many of the same conclusions I have reached as a result of my inspections.

I know he will if he looks at it objectively and keeps in mind that all of this aid is from borrowed dollars—don't forget that.

#### FUNDS FOR NEW POSITIONS

Mr. Dillon, in your proposed expense for administration, you commented on page 7 of your statement that—

only \$1 million of the proposed \$2.7 million increase for ICA is for new positions and related expenses. These are primarily for staffing the recently opened missions in Africa and secondarily for the strengthening of missions in Latin America.

Now, last year I visited Latin America and made a report, as you know. I think my report makes it very clear that your ICA missions there are overstaffed. I have so said it and I am sure Mr. Murphy will find that when he visits that area.

How much of this money do you expect to use in South and Central America?

Mr. DILLON. I think there is a possibility of some misunderstanding about what was meant there.

Senator ELLENDER. You said "strengthening of missions." What do you mean by that?

Mr. DILLON. We meant by putting in some control personnel and also some better program officers and at the same time in a number of these countries some of the technical assistance programs will probably be reduced. So there may be fewer people there overall. But this is for funds on the administrative side which is primarily for control personnel so that we can keep these plans and programs under better control.

#### PANAMA CASE

Senator ELLENDER. My criticism was lodged against that very thing, too many administrative sections over there. For instance, I cited Panama as one example where I think a Mr. Will was the administrator. An assistant was sent to him and he said he did not need him. One of your people came around and insisted that the assistant remain there.

Have you looked into that case?

Mr. DILLON. I do not know about Panama but they tell me that the number of American personnel they are talking about in Latin America for these controls is really very small. The figure I am given is only some nine people.

Senator ELLENDER. I do not care if it is only one. You have an overage there as it is. In my report I stated that,

Mr. Wills told me that approximately 6 months prior to my visit to Panama Mr. Rollin Atwood, recently director of the ICA made an inspection call at this station. At that time Mr. Wills said he recommended that the position of deputy director be abolished. Mr. Wills told me that Mr. Atwood insisted that the deputy director be retained and he was retained.

I got similar information from many ambassadors along the same line, namely, that you were overstaffed in the administrative section of the program.

In Venezuela, as I have pointed out in my report, you are still spending technical aid funds, which should be used for technical assistance, for pumps and water wells.

It strikes me, as I pointed out, that technical assistance should not be used for capital improvements.

#### FUNDS FOR MATERIALS AND SUPPLIES

Mr. DILLON. I understand that less than 20 percent of the technical assistance funds go for materials and supplies overall.

Senator ELLENDER. It should not be that much. I hope that you will look at my report and I hope Mr. Riddleberger, who is coming here tomorrow, will be prepared to answer my report. I got his statement that the average was less than 20 percent and that could be. But take Guatemala, as I pointed out in my report, we have contributed all of the cash necessary to build whole units of housing and all of that is being done with technical assistance funds. Do you think that is right?

Mr. DILLON. I would like to know what it is about.

**BEST AVAILABLE COPY**

Senator ELLENDER. As I remember, over 200 houses were built in Guatemala, and we furnished all of the money to buy the cement, to buy the brick, to buy the lumber, everything, under the guise of technical assistance.

Now, if I am stating the fact correctly, do you think that is right?

Mr. DILLON. Mr. Murphy informs me he thinks that was special assistance funds.

Senator ELLENDER. No. It came out of the technical assistance program. Now, some of it was used, Mr. Murphy, but the ones I am talking about were used, I was told, out of technical assistance funds, that is, money which should have gone to pay technicians.

I do not want to go into too much detail, with you Mr. Dillon, because I expect to ask Mr. Riddleberger tomorrow.

(The following was later submitted:)

A recheck by ICA verified that special assistance funds rather than technical cooperation funds financed building materials for the aided self-help housing project.

Mr. DILLON. Mr. Atwood will be here tomorrow.

Senator ELLENDER. I have complained since 1952, since my first visit to South and Central America, on the contributions made to these services throughout South and Central America, toward capital investments. I can well understand that some moneys should be used for demonstration purposes. I agree with that. But to show how a home ought to be built you ought to be able to demonstrate on one but not use 200 for demonstration purposes.

#### HEALTH CENTERS IN PERU

Just as I pointed out in some of your health centers in Peru in 1952, it was all right to spend for one to show how they worked, but to spend for 26, as I remember the figure, was wrong. That same pattern is being followed in other areas today notwithstanding my criticism.

Mr. DILLON. I would certainly agree with you that the technical assistance program is not supposed to do capital developments.

#### SECTION 112 PROVISIONS

Senator ELLENDER. Senator Bridges asked you about section 112. I concede that the section is rather broad. But could it not be limited to some of the workers in the higher echelons?

Mr. DILLON. This was adopted right at the end without much consideration. I think you are probably right.

Senator ELLENDER. What objection would you have if we were to apply the same language here as we apply to people working for Internal Revenue?

Mr. DILLON. Certainly, it would administratively be much easier to handle and it would resolve in numbers of people a great many of the problems. I still can see that if there was a question of wrongdoing, where there was no wrongdoing it might be perfectly all right for someone who had worked for the ICA to go back and work for a university as a professor which under this law, he could not do because, you see, the ICA pays the universities for technical assistance.

Senator ELLENDER. I know, but you contract with the university and you use their own professors so they could go back.

Mr. DILLON. They could not under this section.

Senator ELLENDER. Certainly they could.

Mr. DILLON. A fellow who had been contracted could, but if a fellow had taken regular employment with the ICA he could not then go back and work for one of the universities that was under contract.

Senator ELLENDER. That is a farfetched case.

Mr. DILLON. All I am asking is that the committee look at this carefully.

#### CRITERIA FOR PROJECT FUNDS

Senator ELLENDER. I agree with you that it is too broad. There is no doubt about that. Now, about this criteria, why should we not impose some kind of criteria on the projects financed out of foreign aid funds?

It strikes me that the development loan fund should use its funds to expand the basic industries of the underdeveloped countries.

I have found this: Capital will not go to Thailand, it will not go to Burma or to many other countries in Asia because of the inaccessibility of the place. It strikes me that these funds should be used to develop the country to the point where capital investment would be willing to come.

#### COTTON TEXTILE MILL IN ETHIOPIA

For instance, in Ethiopia, the DLF has recently made a loan of \$500,000 for a cotton textile mill. It strikes me that it would be better to make loans which would help the basic industries in Ethiopia.

Do you not agree?

Mr. DILLON. I do agree that the fundamental important type of work in what the main amount of dollars and cents should go into are the basic needs such as transportation, power and so forth.

#### PROMOTION OF PRIVATE INVESTMENT

One of the specific things, however, that Congress has asked and it is in the law, is that we do what we can to promote private investment, a feeling for it, and that is where we feel these loans of these development banks in general, are good things.

Senator ELLENDER. That may be so Mr. Dillon but financing a textile mill with DLF funds will not promote private investment. On the contrary it will displace or supplant private investment. If you look at all the loan applications—I cannot make them public—you will note that many of them are to be used for the more advanced types of industries instead of for the purposes indicated when the law establishing the DLF was enacted by Congress.

Now, as I stated a while ago, why should not certain guidelines be established and also certain criteria used so that the people here on the Washington level can properly evaluate these loans?

Mr. DILLON. The Development Loan Fund does provide certain general criteria. We have no objection to criteria that will work. Our only objection to this particular amendment is that the criteria that are specified there are not practicable for all development projects in underdeveloped areas.

I am sure from your experience traveling in these countries you recognize the problem that we have.

#### ESTIMATING PROCEDURE

Senator ELLENDER. Yes, but the practice, Mr. Dillon, that has been in the past was simply to make a rough estimate. An engineer would merely fly over a project.

Mr. DILLON. That is no more since the law was changed a year ago.

Senator ELLENDER. I found many instances of that and I criticized it right along. Why shouldn't legitimate estimates be made by people who know something about the project? Would there be anything wrong in providing that?

Mr. DILLON. That is already being provided in the law in section 517.

Senator ELLENDER. I do not think it is as broad as the criteria provided for by the House. But since it is required for projects constructed in the United States, I do not see why it should not be done for projects, particularly flood control projects and rivers and harbors projects that we help to build abroad.

#### AVAILABILITY OF FACTS

Mr. DILLON. As I pointed out, to comply with the identical criteria used in the United States you have to have statistics and figures available which simply are not available in all these. It is not the cost of the project.

Senator ELLENDER. They could be made available if only the time were taken. The trouble is we rush in and give money for a program before it has been studied sufficiently.

Mr. DILLON. What is difficult is to make certain what the benefits from the program will be in the way we have this cost-benefit ratio in the United States. It is much easier here. That is the problem.

Senator ELLENDER. I realize that. The point I am trying to make is that you may have to change your yardstick to some extent but it strikes me that some method ought to be used in order to be certain that any money spent will provide a return at least equal to the cost of the project. Do you not agree with that?

#### GENERAL DIRECTIVE

Mr. DILLON. I think that is what we try to do to the best of our ability right now. But any general directive or sense of the Congress along that line would be welcomed. We would have no problem with that, but it is a question of putting detailed structures here which are very difficult to work.

Senator ELLENDER. I do not think the Congress would want to go that far but something should be done along that line.

Mr. DILLON. We agree with that in order to see to it that the benefits are at least equal to the expenditures or even more as we do here.

Senator STENNIS. Does the Chair understand, Mr. Dillon, that you would not object to the criteria that the Senator suggests there?

Mr. DILLON. The criteria that there be an adequate study?

Our difficulty, Mr. Chairman, is that we have too tight a yardstick in the law, it is the difficulty of proving this.

Senator STENNIS. I understand that.

Mr. DILLON. As a general thing I have no objection to that.

Senator STENNIS. The Senator from Louisiana put down the guideline that the prospective benefits in someone's judgment be equal to the cost. You nodded your head. Do you mean you are agreeing to his standard? He proposed something definite.

Mr. DILLON. Senator, the real problem there is the great weight you are putting on some individual to make that judgment.

Senator STENNIS. Pardon me. My only question was, do you agree to the standard that he proposed? I got the idea you did but you did not say yes; you did not say no. You nodded your head.

Mr. DILLON. I have no objection, Senator, as long as it is something that is workable. I think this could be workable if you did not require proof ahead of time that this benefit was going to be any particular given figure. We have great difficulty and we cannot provide that proof in the same way it is provided in the country because of the lack of statistics.

Senator STENNIS. I think that is a crux question here. Is your answer now that you are agreeing that we put in a proviso here that we follow the specific standards of prospective benefits being equal to the cost?

Mr. DILLON. We would be glad to try to work out something with the Senator and with the members of the staff of the committee that we think would be——

#### OBJECTION TO HOUSE LANGUAGE

Senator STENNIS. For the time being, you reject this?

Mr. DILLON. We object to the language of the House. It is too strict.

Senator ELLENDER. It is my sincere belief that the House is going to insist on all of this language. What I would suggest to you is that you make suggestions of your own and just not ask this committee to wipe it all out because we will not get anywhere that way.

It strikes me that we ought to be able to work out a formula that for every dollar spent, you will at least get a dollar of benefits. If you cannot attain that, you might as well abandon the project.

You certainly would not want to put out a dollar and get 10 cents back, would you?

Mr. DILLON. No, sir.

Senator ELLENDER. You would want to get at least a dollar back.

Mr. DILLON. That is right.

Senator ELLENDER. It strikes me we ought to be able to work out a formula and put it in the bill to take the place of the House formula. I can well understand the difficulty of gathering the necessary statistics in some underdeveloped countries. But it strikes me that we ought to have a yardstick similar to ours.

## DEVELOPMENT LOAN FUND POLICY

Now, Mr. Dillon, there is something that concerns me a great deal about the Development Loan Fund.

It is a fact that many of the dollars which are loaned to the various countries are used for purchases from countries where the price is cheapest, and a major portion of this money finds its way to Japan and Western Europe.

What do you have to say about that? Do you think it is a good thing for our own economy and in that connection, do you think it is fair for us to further subsidize Western Europe by providing dollars, let us say, to India, to buy tools and what have you in England, France, and Italy?

Mr. DILLON. There is a very difficult problem there, Senator. We recognize it needs very thorough study which is now underway within the executive branch. The problem is simply one that in the past we have had the policy that it was best to get the most out of our foreign aid dollars and stretch them to the furthest extent possible by buying in the cheapest market.

Incidentally, these purchases abroad were helpful in strengthening the economies of countries that needed to be strengthened.

Senator ELLENDER. Such as England, France, and Italy?

Mr. DILLON. According to the Marshall plan, I think that is correct.

Senator ELLENDER. That was all right in the beginning, but those countries today are able to extend credit to the underdeveloped countries.

Mr. DILLON. That is what I was about to say.

Senator ELLENDER. They will lean on us as long as you let them.

Mr. DILLON. I was about to say that. Therefore, on the other side we have this fact that now I think Japan probably still does require some support of this nature, but certainly, the Western European countries do not require support, so it is merely a question of choice between ourselves and spending more money because our costs here are probably somewhat higher than the costs generally for this type of equipment.

Senator ELLENDER. What is in the offing? What do you propose to do so as to prevent this trend? I believe that the Congress has heard to the effect that a good deal of the dollars find their way into Europe and those dollars are used to get our gold here and that is something I do not like.

Do you not think that ought to be stopped?

## PREFERENCE FOR PURCHASES IN UNITED STATES

Mr. DILLON. One of the things we have under consideration is a system by which considerable preference would be given if the purchases were made in the United States. In other words, we might finance the whole of a project under foreign exchange cost if there was going to be procurement in the United States and we would finance a much smaller portion of it if there was to be procurement elsewhere.



Senator ELLENDER. Mr. Dillon, in that same connection, we have evidence to show that private investments are being reduced in underdeveloped countries in contrast to well-developed countries. For instance, in the case of the United Kingdom, private capital has gone there in the last 6 months 10-fold, from \$9 to \$90 million.

I am just wondering why it is that there is less advantage taken by some private concerns to invest in underdeveloped countries in contrast to the developed countries. Before that the trend was opposite.

Do you think that the method of presently operating the development loan fund has some effect on that?

Mr. DILLON. No, sir.

Senator ELLENDER. You do not think so?

#### INVESTMENTS IN UNDERDEVELOPED COUNTRIES

Mr. DILLON. I think the reason for this is the improved economic condition in Europe, the greater stability of the market there. Our investments in underdeveloped countries have usually been to a great extent in basic resources, in things like oil, mining, things of that nature. They continue to be that way. There has always been a reluctance for American investment, it has not seemed very attractive to it, to invest in ordinary manufacturing, things of that nature, in the underdeveloped countries. We do think that we have to give special stimulation to that. We certainly do not think any special stimulation is needed for investment in countries in Europe because there is a good deal going on.

Senator ELLENDER. Of course you do have that now because of the stability there.

Mr. DILLON. That is right.

Senator ELLENDER. I realize that, but I go back to the proposition that this fund ought to be used in order to develop the country so that private capital will be interested in coming to those countries.

Mr. DILLON. We agree with that.

Senator ELLENDER. I hope it is done because the way it has been in the past, as I pointed out on the Senate floor, 83 percent—I may stand corrected—but my recollection is that 83 percent of the development loan funds have gone, up to 6 months ago, to countries to whom we have made grants adding up to \$30 billion.

Now, Mr. Dillon, as I said a while ago, I thought your statement would go into more detail than it has, therefore I want to reserve further detailed questions for the various administrators when they appear before the committee during the next 2 weeks.

I do hope that Mr. Murphy takes his job soon and that before he goes out into the field I will have an opportunity to spend as many hours with him as he wants so that I may give him a few pointers which may not have been included in my report. I will also advise Mr. Murphy to dig up my reports at ICA which no doubt are gathering dust.

I may criticize but I also say some good things. I want you people to understand that I try to do an objective job. I don't want to harm anybody—but I want our taxpayers to get full value for dollars spent.

Senator STENNIS. Senator Saltonstall has to go to the floor. He has two questions. I am not limiting him to two, of course. I recognize you next.

Senator SALTONSTALL. Thank you, sir, and I thank the Senator from Louisiana for his courtesy.

I just want to get a few things straight.

#### DEVELOPMENT LOAN FUND REQUEST

Mr. Secretary, now you are asking us a net reclama of \$876,276,730. Now, going over this with Mr. Scott, the clerk, I gather that this is done as follows: In the Development Loan Fund the request for 1960 fiscal year was \$700 million and for 1961, \$500 million, or a total of \$1.2 billion.

The House allowed you for the fiscal year 1960, \$550 million and nothing for 1961. Now, your request to the Senate is a reclama for 1960 of \$150 million which would bring it up to \$700 million and a reclama for \$500 million for 1961. That is all on the Development Loan Fund. Or a total of \$650 million out of the \$876 million of your total reclama.

On that balance of \$226 million there is \$100 million for the military which the House cut off and the balance of \$126 million comes from the rest of the program. Now, that is the net reclama after your take away's of something over a million dollars and you are being under in two accounts of somewhere around \$4 million more.

Mr. DILLON. That is correct.

Senator SALTONSTALL. Would you be willing, Mr. Murphy, to put in at this point a breakdown of that reclama along those lines which simplifies it in my mind, anyway?

Mr. MURPHY. Yes.

(The information referred to appears on p. 180.)

Senator SALTONSTALL. So the big issue with this committee is to decide what to do with the Development Loan Fund.

Mr. DILLON. Moneywise; that is correct.

Senator SALTONSTALL. Moneywise that is correct. Well, this is an appropriations committee. So the principal thing you want from this committee is the Development Loan Fund.

## HOUSE ACTION

Mr. DILLON. Not necessarily. Some of these other appropriations are from a foreign policy point of view vitally important even though the amounts of funds may not be so large. I may say in the Development Loan Fund, as you recall, the authorizing legislation was only enacted about a few days before the House Appropriations Committee acted and the House Subcommittee on Appropriations had no time to act on request for \$500 million and did not consider that or reject it.

It was rejected in the full committee the morning the request was received, presumably, largely because there was inadequate time to consider it.

## LANGUAGE CHANGES

Senator SALTONSTALL. You consider of very fundamental importance those three language changes?

Mr. DILLON. That is right.

Senator STENNIS. Senator Bible, I understood you had one or two questions.

Senator BIBLE. Just a couple. Thank you and I appreciate the courtesy of Senator Ellender.

## TOTAL ADMINISTRATIVE EMPLOYEES

Mr. Secretary, how many people are presently employed in the administration of this program exclusive of military assistance? It may well be in the document I have before me but I cannot put my finger on it.

Mr. DILLON. We will be glad to supply that for the record. There are various ways of working that out. The ICA rough figure is 11,500 employees directly paid from U.S. Government funds in ICA personnel strength.

Senator ELLENDER. Are those the ones working abroad?

Mr. DILLON. That is abroad, everywhere. We have a complete table we will be glad to put in the record. It is one sheet like this, which shows where they are working, how many in each country, how many U.S. nationals, how many foreign employees.

Senator BIBLE. That would be helpful. I will ask permission that it be inserted in the record at this point.

Senator STENNIS. All right.

(The table referred to follows:)

ICA personnel strength, June 30, 1959—Type of employee, by source of funds and by post, Washington and overseas

| Post                                     | Employees paid directly from U.S. Government funds |                      |               | U.S. nationals |                      |               |                      |               |  |               |                          |               |       | Foreign national employees <sup>1</sup> |               |       | Foreign national employees paid from foreign country funds <sup>2</sup> | U.S. nationals employed by contractors receiving program funds <sup>3</sup> |
|--|--|----------------------|---------------|----------------|----------------------|---------------|----------------------|---------------|--|---------------|--------------------------|---------------|-------|---|---------------|-------|---|---|
|  |  |                      |               | Total          |                      |               | Regular employees    |               | Personnel of other Federal agencies <sup>4</sup> |               | Consultants <sup>5</sup> |               |       |   |               |       |   |   |
|  | Total  | Administrative funds | Program funds | All funds      | Administrative funds | Program funds | Administrative funds | Program funds | Administrative funds                             | Program funds | Administrative funds     | Program funds | Total | Administrative funds                    | Program funds |       |   |   |
| Grand total.....                         | 11,560   | 3,805                | 7,755         | 6,182          | 2,471                | 3,711         | 2,304                | 2,228         | 35   | 444           | 42                       | 39            | 5,378 | 1,334                                   | 4,044         | 1,936 | 2,102   |   |
| Total Washington.....                    | 1,944  | 1,545                | 399           | 1,944          | 1,545                | 399           | 1,483                | 387           | 21   | 4             | 41                       | 8             |       |   |               |       |   |   |
| Unassigned complement <sup>1</sup> ..... | 130  | 39                   | 91            | 130            | 39                   | 91            | 39                   | 91            |  |               |                          |               |       |   |               |       |   |   |
| Total overseas.....                      | 9,486  | 2,221                | 7,265         | 4,108          | 537                  | 3,221         | 872                  | 2,750         | 14   | 440           | 1                        | 31            | 5,378 | 1,334                                   | 4,044         | 1,936 | 2,102   |   |
| Far East.....                            | 3,788  | 945                  | 2,843         | 1,909          | 345                  | 964           | 339                  | 882           | 5  | 95            | 1                        | 7             | 2,479 | 600                                     | 1,879         | 1,303 | 1,137   |   |
| Burma.....                               | 21   | 20                   | 1             | 12             | 11                   | 1             | 11                   | 1             |  |               |                          |               | 9     | 9                                       |               |       | 5   |   |
| Cambodia.....                            | 127  | 45                   | 82            | 106            | 24                   | 82            | 24                   | 79            |  | 3             |                          |               | 21    | 21                                      |               | 180   | 105   |   |
| China (Taiwan).....                      | 188  | 134                  | 54            | 81             | 27                   | 54            | 26                   | 45            | 1  | 9             |                          |               | 107   | 107                                     |               | 233   | 96  |   |
| Indonesian Republic.....                 | 157  | 59                   | 98            | 122            | 26                   | 96            | 26                   | 84            |  | 9             |                          | 3             | 35    | 33                                      | 2             | 227   | 65  |   |
| Japan.....                               | 72   | 21                   | 51            | 37             | 12                   | 25            | 11                   | 17            | 1  | 7             |                          | 1             | 35    | 9                                       | 26            |       | 8   |   |
| Korea.....                               | 1,712  | 269                  | 1,443         | 350            | 79                   | 271           | 78                   | 261           | 1  | 10            |                          | 1             | 1,362 | 190                                     | 1,172         |       | 194   |   |
| Laos.....                                | 289  | 117                  | 172           | 138            | 77                   | 61            | 75                   | 58            |  | 3             | 1                        |               | 151   | 40                                      | 111           | 325   | 18  |   |
| Philippines.....                         | 141  | 55                   | 86            | 107            | 22                   | 85            | 22                   | 67            |  | 17            |                          | 1             | 34    | 23                                      | 1             | 117   | 24  |   |
| Thailand.....                            | 205  | 69                   | 136           | 164            | 28                   | 136           | 28                   | 117           |  | 18            |                          | 1             | 41    | 41                                      |               | 221   | 270   |   |
| Vietnam.....                             | 876  | 186                  | 720           | 192            | 39                   | 153           | 38                   | 133           | 1  | 19            |                          | 1             | 684   | 117                                     | 567           |       | 352   |   |
| Near East and South Asia.....            | 2,588  | 574                  | 2,014         | 1,198          | 239                  | 959           | 233                  | 787           | 6  | 162           |                          | 10            | 1,390 | 335                                     | 1,055         | 614   | 665   |   |
| Afghanistan.....                         | 337  | 44                   | 293           | 96             | 24                   | 72            | 24                   | 53            |  | 19            |                          |               | 241   | 20                                      | 221           |       | 222   |   |
| Ceylon.....                              | 107  | 23                   | 84            | 46             | 12                   | 34            | 12                   | 33            |  | 1             |                          |               | 61    | 11                                      | 50            |       | 28  |   |
| Greece.....                              | 57   | 34                   | 23            | 30             | 10                   | 20            | 9                    | 16            | 1  | 3             |                          | 1             | 27    | 24                                      | 3             | 21    |   |   |
| India.....                               | 339  | 64                   | 275           | 135            | 30                   | 105           | 30                   | 87            |  | 17            |                          | 1             | 204   | 34                                      | 170           |       | 42  |   |
| Iran.....                                | 302  | 65                   | 237           | 261            | 26                   | 235           | 26                   | 205           |  | 28            |                          | 2             | 41    | 39                                      | 2             |       | 76  |   |
| Iraq.....                                | 70   | 21                   | 49            | 33             | 10                   | 23            | 10                   | 18            |  | 5             |                          |               | 37    | 11                                      | 26            |       | 2   |   |
| Israel.....                              | 132  | 35                   | 97            | 39             | 14                   | 25            | 12                   | 20            | 2  | 2             |                          | 3             | 93    | 21                                      | 72            |       | 14  |   |
| Jordan.....                              | 168  | 27                   | 141           | 77             | 15                   | 62            | 14                   | 41            | 1  | 20            |                          | 1             | 91    | 12                                      | 79            |       | 2   |   |
| Lebanon.....                             | 234  | 23                   | 211           | 32             | 11                   | 21            | 10                   | 16            |  | 5             |                          |               | 202   | 12                                      | 190           |       | 4   |   |
| Nepal.....                               | 321  | 52                   | 269           | 59             | 13                   | 46            | 13                   | 38            | 1  | 8             |                          |               | 262   | 39                                      | 223           |       | 8   |   |
| Pakistan.....                            | 231  | 88                   | 143           | 178            | 35                   | 143           | 35                   | 119           |  | 24            |                          |               | 53    | 53                                      |               | 490   | 200   |   |
| Sudan.....                               | 73   | 21                   | 52            | 44             | 10                   | 34            | 10                   | 29            |  | 5             |                          |               | 29    | 11                                      | 18            |       |   |   |
| Turkey.....                              | 173  | 60                   | 113           | 137            | 24                   | 113           | 23                   | 98            | 1  | 14            |                          | 1             | 36    | 36                                      |               | 103   | 67  |   |

|   |              |            |              |            |            |            |            |            |          |            |           |            |            |            |           |            |
|---|--------------|------------|--------------|------------|------------|------------|------------|------------|----------|------------|-----------|------------|------------|------------|-----------|------------|
| United Arab Republic (Egypt).....         | 25           | 17         | 8            | 12         | 5          | 7          | 5          | 6          |          |            |           | 1          | 13         | 12         | 1         |            |
| Regional.....                             | 19           |            | 19           | 19         |            | 19         |            | 8          |          | 11         |           |            |            |            |           |            |
| <b>Africa.....</b>                        | <b>949</b>   | <b>191</b> | <b>758</b>   | <b>500</b> | <b>110</b> | <b>390</b> | <b>108</b> | <b>328</b> | <b>2</b> | <b>62</b>  | <b>2</b>  | <b>449</b> | <b>81</b>  | <b>368</b> |           | <b>177</b> |
| Ethiopia.....                             | 205          | 28         | 177          | 123        | 18         | 105        | 18         | 74         |          | 31         |           | 82         | 10         | 72         |           | 71         |
| Federation of Rhodesia and Nyasaland..... | 5            | 5          |              | 2          | 2          |            | 8          |            |          |            |           | 2          | 2          |            |           |            |
| Ghana.....                                | 55           | 16         | 39           | 36         | 7          | 29         | 7          | 29         |          |            |           | 19         | 9          | 10         |           | 16         |
| Liberia.....                              | 187          | 24         | 163          | 75         | 14         | 61         | 14         | 41         |          | 19         |           | 112        | 10         | 102        |           | 27         |
| Libya.....                                | 259          | 35         | 224          | 135        | 19         | 116        | 18         | 104        | 1        | 12         | 1         | 124        | 16         | 108        |           | 28         |
| Morocco.....                              | 67           | 32         | 35           | 32         | 18         | 14         | 18         | 14         |          |            |           | 25         | 14         | 21         |           |            |
| Nigeria.....                              | 11           | 5          | 6            | 8          |            |            | 4          | 4          |          |            |           | 3          | 1          | 2          |           | 17         |
| Somalia.....                              | 31           | 10         | 21           | 22         | 7          | 15         | 7          | 14         |          |            | 1         | 9          | 3          | 6          |           |            |
| Tunisia.....                              | 128          | 35         | 93           | 65         | 19         | 46         | 18         | 46         | 1        |            |           | 63         | 16         | 47         |           | 4          |
| Overseas territories:                     | 1            | 1          |              | 1          | 1          |            | 1          |            |          |            |           |            |            |            |           | 14         |
| Kenya.....                                | 1            | 1          |              | 1          | 1          |            | 1          |            |          |            |           |            |            |            |           | 8          |
| Sierra Leone.....                         |              |            |              |            |            |            |            |            |          |            |           |            |            |            |           | 2          |
| Uganda.....                               |              |            |              |            |            |            |            |            |          |            |           |            |            |            |           | 4          |
| <b>Europe.....</b>                        | <b>243</b>   | <b>120</b> | <b>123</b>   | <b>116</b> | <b>49</b>  | <b>67</b>  | <b>49</b>  | <b>61</b>  |          | <b>5</b>   | <b>1</b>  | <b>127</b> | <b>71</b>  | <b>56</b>  |           | <b>23</b>  |
| USRO/ICA.....                             | 31           | 2          | 29           | 20         | 2          | 18         | 2          | 18         |          |            |           | 11         |            | 11         |           |            |
| Office of Area Controller.....            | 17           | 17         |              | 7          | 7          |            | 7          |            |          |            |           | 10         | 10         |            |           |            |
| Austria.....                              | 16           | 14         | 2            | 5          | 3          | 2          | 3          | 2          |          |            |           | 11         | 11         |            |           |            |
| France.....                               | 3            |            | 3            | 1          |            | 1          |            | 1          |          |            |           | 2          |            | 2          |           |            |
| Germany.....                              | 16           | 14         | 2            | 4          | 4          |            | 4          |            |          |            |           | 12         | 10         | 2          |           | 2          |
| Iceland.....                              | 3            | 1          | 2            | 3          | 1          | 2          | 1          | 1          |          |            | 1         |            |            | 2          |           |            |
| Italy.....                                | 18           | 14         | 4            | 6          | 4          | 2          | 4          | 2          |          |            |           | 12         | 10         | 2          |           |            |
| Spain.....                                | 68           | 30         | 38           | 36         | 12         | 24         | 12         | 19         |          | 5          |           | 32         | 18         | 14         |           | 7          |
| United Kingdom.....                       | 4            |            | 4            | 3          |            | 3          |            | 3          |          |            |           | 1          |            | 1          |           |            |
| Yugoslavia.....                           | 67           | 28         | 39           | 31         | 16         | 15         | 10         | 15         |          |            |           | 36         | 12         | 24         |           | 14         |
| <b>Latin America.....</b>                 | <b>1,918</b> | <b>391</b> | <b>1,527</b> | <b>985</b> | <b>144</b> | <b>841</b> | <b>143</b> | <b>714</b> | <b>1</b> | <b>116</b> | <b>11</b> | <b>933</b> | <b>247</b> | <b>688</b> | <b>19</b> | <b>100</b> |
| Argentina.....                            | 23           | 17         | 6            | 10         | 5          | 5          | 5          | 3          |          | 1          | 1         | 13         | 12         | 1          |           |            |
| Bolivia.....                              | 234          | 47         | 187          | 103        | 24         | 79         | 24         | 73         |          | 6          |           | 131        | 23         | 108        |           | 12         |
| Brazil.....                               | 253          | 42         | 211          | 135        | 15         | 120        | 15         | 88         |          | 28         | 4         | 118        | 27         | 91         |           | 16         |
| Chile.....                                | 145          | 28         | 117          | 61         | 8          | 53         | 8          | 39         |          | 14         |           | 84         | 20         | 64         |           |            |
| Colombia.....                             | 79           | 17         | 62           | 52         | 7          | 45         | 7          | 39         |          | 6          |           | 27         | 10         | 17         |           | 1          |
| Costa Rica.....                           | 63           | 15         | 48           | 40         | 4          | 36         | 4          | 31         |          | 2          | 3         | 23         | 11         | 12         | 19        | 8          |
| Cuba.....                                 | 26           | 5          | 21           | 16         | 1          | 15         | 1          | 10         |          | 5          |           | 10         | 4          | 6          |           |            |
| Dominican Republic.....                   | 15           |            | 15           | 10         |            | 10         |            | 10         |          |            |           | 5          |            | 5          |           |            |
| Ecuador.....                              | 100          | 17         | 83           | 61         | 7          | 54         | 7          | 50         |          | 4          |           | 29         | 10         | 29         |           |            |
| El Salvador.....                          | 66           | 12         | 53           | 37         | 6          | 31         | 6          | 29         |          | 2          |           | 25         | 6          | 22         |           |            |
| Guatemala.....                            | 147          | 26         | 121          | 76         | 9          | 67         | 8          | 62         | 1        | 4          | 1         | 71         | 17         | 54         |           | 24         |
| Haiti.....                                | 95           | 20         | 75           | 58         | 9          | 49         | 9          | 47         |          | 1          | 1         | 37         | 11         | 26         |           |            |

See footnotes at end of table, p. 112.

ICA personnel strength, June 30, 1959—Type of employee, by source of funds and by post, Washington and overseas—Continued

| Post                    | Employees paid directly from U.S. Government funds |                      |               | U.S. nationals |                      |               |                      |               |  |               |                          | Foreign national employees <sup>1</sup> |       |                      | Foreign national employees paid from foreign country funds <sup>2</sup> | U.S. nationals employed by contractors receiving program funds <sup>3</sup> |
|-------------------------|--|----------------------|---------------|----------------|----------------------|---------------|----------------------|---------------|--|---------------|--------------------------|---|-------|----------------------|---|---|
|                         |  |                      |               | Total          |                      |               | Regular employees    |               | Personnel of other Federal agencies <sup>4</sup> |               | Consultants <sup>5</sup> |   |       |                      |   |   |
|                         | Total  | Administrative funds | Program funds | All funds      | Administrative funds | Program funds | Administrative funds | Program funds | Administrative funds                             | Program funds | Administrative funds     | Program funds                           | Total | Administrative funds |   |   |
| Latin America—Continued |  |                      |               |                |                      |               |                      |               |  |               |                          |   |       |                      |   |   |
| Honduras                | 69   | 14                   | 55            | 47             | 6                    | 41            | 6                    | 36            |  |               |                          |   |       |                      |   |   |
| Mexico                  | 41   | 12                   | 29            | 10             | 3                    | 7             | 3                    | 5             |  |               | 3                        |   | 22    | 8                    | 14  |   |
| Nicaragua               | 36   | 11                   | 25            | 28             | 3                    | 25            | 3                    | 22            |  |               |                          |   | 31    | 9                    | 22  | 7   |
| Panama                  | 80   | 18                   | 62            | 50             | 7                    | 43            | 7                    | 40            |  |               | 3                        |   | 8     | 8                    |   |   |
| Paraguay                | 171  | 39                   | 132           | 49             | 9                    | 40            | 9                    | 36            |  |               | 3                        |   | 30    | 11                   | 19  | 4   |
| Peru                    | 179  | 29                   | 150           | 75             | 11                   | 64            | 11                   | 55            |  |               | 4                        |   | 122   | 30                   | 92  | 2   |
| Uruguay                 | 9  | 4                    | 5             | 4              | 2                    | 2             | 2                    |               |  |               | 9                        |   | 104   | 18                   | 86  | 6   |
| Venezuela               | 5  |                      | 5             | 5              |                      | 5             |                      | 5             |  |               | 2                        |   | 5     | 2                    | 3   |   |
| Overseas territories    | 64   | 18                   | 46            | 39             | 8                    | 31            | 8                    | 29            |  |               | 2                        |   | 25    | 10                   | 15  |   |
| British Guiana          | 6  | 2                    | 4             | 3              | 1                    | 2             | 1                    | 1             |  |               |                          |   | 3     | 1                    | 2   |   |
| British Honduras        | 8  |                      | 8             | 4              |                      | 4             |                      |               |  |               | 1                        |   |       |                      |   |   |
| Eastern Caribbean       | 17   | 9                    | 8             | 7              | 4                    | 3             | 4                    | 3             |  |               |                          |   | 4     | 5                    | 4   |   |
| Jamaica                 | 14   | 3                    | 11            | 10             | 1                    | 9             | 1                    | 9             |  |               |                          |   | 10    | 5                    | 5   |   |
| Surinam                 | 19   | 4                    | 15            | 15             | 2                    | 13            | 2                    | 12            |  |               | 1                        |   | 4     | 2                    | 2   |   |
| Regional                | 19   |                      | 19            | 19             |                      | 19            |                      | 5             |  |               | 13                       |   | 1     |                      |   |   |

<sup>1</sup> Local employees hired overseas by IS.

<sup>1</sup> Local employees hired overseas by ICA.<sup>2</sup> These employees are paid from local currency trust funds supplied by the participating countries as part of their contribution toward local expenses for the TC program.<sup>3</sup> Includes all U.S. nationals financed by ICA whether employed by U.S. contractors, recipient countries, or other entities. EPA contracts are reported on USRO/ICA line.<sup>4</sup> Other Federal agencies are reimbursed for the costs of their employees who worked directly under ICA supervision. Includes personnel secured under interagency agreements and personnel on reimbursable detail to ICA. Washington data exclude personnel in other agencies engaged in support activities, as follows: Administrative funds, 88; program funds, 492.<sup>5</sup> Includes consultants who rendered service during reporting month, with or without compensation.<sup>6</sup> Includes six U.S. nationals paid from Battle Act funds.<sup>7</sup> These employees are chargeable to overseas figures although located in ICA/W, pending assignment to a mission to fill staffing pattern vacancies or to receive additional training.<sup>8</sup> Excludes Federation of Rhodesia and Nyasaland, Nigeria, and Somalia, shown separately.

GENERAL NOTE.—Data show number of U.S. and foreign national employees hired by ICA, regardless of the source of funds from which they are paid and also employees of other Federal agencies detailed to ICA. U.S. nationals working under contracts are shown separately and excluded from the totals. Personnel of other Federal agencies on detail to ICA, local currency trust fund employees and contract employees should be excluded to arrive at the direct employment strength of ICA.

Source: Office of Personnel, Office of Statistics and Reports, July 21, 1959.

## PROJECTION OF MUTUAL SECURITY PROGRAM IN FUTURE

Senator BIBLE. One further question. How many years ahead do you people project a mutual security program? Do you know what the level might be for 1961, fiscal 1961?

Mr. DILLON. It is difficult to foresee how many years ahead this will continue. Certainly, the activities of the Development Loan Fund and the activities of our technical assistance program will continue, we think, for quite a few years until such time as these underdeveloped countries can gradually begin to take care of themselves.

The military part of the program, also, is frankly dependent on our relations with the Soviet Union and the Communist bloc. As long as they keep up military pressure and maintain a threatening attitude that will have to continue, presumably, in roughly the same amounts as it has been in the past few years, around a \$2 billion figure.

We would hope that items for defense support and special assistance would gradually be able to be reduced and absorbed in the funds that are available for loans for Development Loan Fund type of cooperation.

Senator BIBLE. As you view it at the present time it seems to be a more or less continuous program for the foreseeable future.

Mr. DILLON. That would be correct.

Senator STENNIS. Senator Dworshak, you said you had a couple of questions.

Senator DWORSHAK. I will wait for other witnesses.

Senator STENNIS. Senator McGee?

## BASIS OF PROGRAM

Senator MCGEE. The central focus I think, is less the love of other people than our own security. That seems to be obvious.

Mr. DILLON. I think really that is the whole basis of the mutual security program. It is our own security.

Senator MCGEE. Even if it means a little unpleasant exchange in some cases?

Mr. DILLON. That is correct.

Senator MCGEE. I remember historically the days of the British Empire, when it was supreme, England was the most unloved nation in the world but they managed to be a rather secure and predominant nation.

Would it facilitate the administration of such a tremendous program as this if we had satellites instead of allies?

Mr. DILLON. I do not think so. That is so foreign to our basic ideals and what we stand for, for freedom, that I think it would be very bad. As you can see from what has happened in the satellite countries in the Communist bloc when they explode, they explode in violent bloodshed and have to be repressed very violently. That certainly is not in our tradition; never has been.

Senator MCGEE. I was not trying to suggest it would be our philosophy but I can imagine, I think sometimes in my own business as a professor if I could get rid of the opposition a little bit I could administer at least a lot more easily with less rocking of the boat. I sometimes wonder if the Russians have not had a measurable momentary advantage in that regard.

Mr. DILLON. It appears from a momentary basis, obviously, a lot easier to operate when you have a dictatorship at home as well as abroad.

Senator McGEE. I did not want to leave the suggestion that when we are dealing with as many as we have to deal with that it is ever going to be easy. On your calculations on a program as intangible as economic assistance in these programs do you consider it less dangerous to err on too much or too little in any given area?

#### ADEQUACY OF FUNDS

Mr. DILLON. I would think that the countries that we are supporting through our grant assistance so that their economy can keep on a level which gets our defense support and our special assistance funds, those funds should be adequate. If they fall below adequacy you can have inflation, chaos, and I think that the greater danger lies there in reducing them radically below what is necessary.

Obviously, as I said in my opening statement, it is a question of judgment and there can be minor differences and they can get along, I think they should get along generally with less than they would like to have. That is the way the program has been operating and it operates all right. In the case of the longer range thing such as the Development Loan Fund, I think we have to put greater emphasis on being sure that the projects, the programs that we support are good ones and that they are really going to contribute to the development of the countries concerned, and less on meeting a particular level at any particular year.

That is the way we are operating.

Senator McGEE. The cumulative effect of this over a period of years, I should think, would make it extremely difficult to calculate that closely.

Mr. DILLON. As I say, it is very difficult.

Senator STENNIS. Senator Bridges?

#### SECTION 112

Senator BRIDGES. I am interested in the statement relative to section 112 which

would prohibit the use of any mutual security funds to enter into a contract with any person or company who offers to provide any compensation to any ICA employee or who provides compensation to any ICA employee who has left ICA within 2 years of the date with such person or company.

I wonder why you want that struck out. I should think that would be one of the best protections you could have.

Mr. DILLON. Because it is far too all-embracing. As I pointed out, it would mean that any type superintendent or janitor or anyone in a minor capacity could not go to work for any industry, and there are literally hundreds in the United States, or for any university that has an arrangement with the ICA.

In the first place, that would be an almost impossible thing for us to administer, for the ICA to follow these people once they leave the ICA. There is no way in this country to compel them to report their whereabouts or what sort of jobs they have taken.



## PRESENT PENAL PROVISION

We think that this is covered adequately in authorizing language which has a very strong penal provision which is presently law which says that—

Whoever offers or gives to anyone who is, or in the preceding 2 years has been, an employee or officer of the United States any commission, payment, or gift, in connection with the procurement of equipment, materials, commodities or services under this act in connection with such procurement,

and so on and then it says they are subject to a fine not exceeding \$10,000 or imprisonment not exceeding 3 years, or both.

We feel that that section 512 is adequate to take care of it and that this additional thing applies to people who might be taking jobs just for no other reason that a wife who is a typist moves some place and gets employed by a big company. We could not pay the General Electric Co. if they once employed a girl as typist who once was employed by ICA.

Senator BRIDGES. Under this act now in existence have you ever prosecuted anybody?

Mr. DILLON. There is a case which has been referred to the Department of Justice which they are preparing a case now which they intend to proceed with, as I understand.

## SITUATION IN TURKEY

Senator BRIDGES. I have two questions, if I may. One is, what is the current situation—I understand this is an executive session—on Turkey? What is their fiscal position and their current economic ability to support their military establishment.

Mr. DILLON. Senator, you will remember we had a good deal of trouble over the years getting the Turks to adopt financial practices which were felt to be sound. Last summer, just about a year ago, they did accept the views of the International Monetary Fund and they worked out an agreement with the Fund and the OEEC in which the countries of Europe, the Fund, and ourselves, joined in providing them certain credits and stretched out their debts over a period of time so that the credit is an accommodation. They also devalued their currency then and agreed to control their spending at home.

The recent reports of the Monetary Fund experts who go out there from time to time are that the Turks are conscientiously trying to live up to this and they are doing a pretty good job. There has been one gap in their economic program which we hope will be settled relatively rapidly now, the Turks have recognized it and they have agreed to try to fix it and that is that they are planning for economic development which was very haphazard and uncoordinated and they have agreed to accept a European expert as adviser and try to get a coordinated plan so that they do not find themselves committed to more projects than they can carry.

We consider the situation is relatively favorable; we are very pleased.

## SITUATION IN SPAIN

Senator BRIDGES. I want to inquire about Spain which certainly is one of the strongest integral parts of our defense system in Europe and your new program to help them and the necessity for it. I think all of the inspection trips I have made over there indicate that they are pretty dependable allies.

Mr. DILLON. We are also very pleased about the recent developments in Spain. We have always counted them as a strong and dependable ally but we had felt that their policy of more or less isolation from the economic and political stream of Europe was not a good thing and should not continue indefinitely; if it did, it would be to their disadvantage.

So we have always favored a closer association in Spain with European organizations. We favor their membership in NATO, for instance. We are very glad that they have taken a big step which has been welcomed by the European countries. Last month in July they became a full-fledged member of the OEEC, the Organization for European Economic Cooperation. They at that time also devalued their currency to a realistic figure which was agreed with the International Monetary Fund.

They have had some assistance from the European countries and some from the Monetary Fund and a promise that we would continue with relatively the same levels of assistance that we have in the past. Nothing particularly new, however, from the United States is necessary.

They have also done away largely with their bilateral trading practices and are opening their trade to all countries, including the United States. Finally, they have greatly liberalized their private investment laws which were very strict for foreign investment coming in. We think there will be greater opportunities for American investment there. We think the whole process is a very good one.

Senator STENNIS. Thank you, Senator.

## REPORT OF SENATOR ELLENDER

Mr. Dillon, I am not going to ask you any questions now, but I do want the indulgence of you and the committee to make one observation. First, I want to assure you that I greatly appreciate your very outstanding contribution to the Government, not only in your present capacity, but in former ones. I think we are very fortunate to have you here. I am surprised, gentlemen, that you do not show more attention to a report like Senator Ellender has filed. I am not referring to you personally. You cannot keep all the details. But I hope your staff will be prepared—I will not comment until they are prepared—to answer some points that he has made.

You are a distinguished banker and you send out your representatives to inspect property or other business items. You would not ignore their testimony. I am a lawyer and I would not ignore what my investigator said.

Now, this committee has a man who goes out at the ground level. He is industrious; he has a sense of value and he has boundless energy. You know what he has said before he brings it back and puts it in writing and gives it to us. I think he has rendered a fine service.

If he sounds critical, I assure you he gets behind me as the chairman of one of the subcommittees on appropriations as well as he does the executive branch of the Government and scrutinizes some little project in Mississippi just as closely as he would one in your department.

I think it is unusual but very fortunate that this branch of the Government, particularly the appropriations committee, has someone who goes out and works as hard as he does. I respectfully suggest that your staff ought to be well prepared on anything because he has an influence here on this subcommittee, any subcommittee he is on.

He does with me and others. To make sure that you do not misunderstand me, I commend you again for your fine work, Mr. Dillon.

Mr. DILLON. Thank you, sir. I fully concur with everything you have said.

Senator STENNIS. I feel you are fully in sympathy. Also, I think Mr. Murphy is. I am glad to know of his new assignment. I believe he will be a very valuable man to you.

Mr. MURPHY. Thank you, sir.

Senator STENNIS. Senator Byrd, you are next.

Senator BYRD. Mr. Chairman, I want to join you and Senator Robertson in the complimentary statement concerning Secretary Dillon. I served in the House of Representatives for 4 years on the Foreign Affairs Committee. I became somewhat conversant with the problems that confront Secretary Dillon. I became somewhat familiar with the conscientious attitude with which he approaches this difficult work. I do join with Senator Robertson and the others of the committee who have taken the time and the opportunity to compliment Secretary Dillon.

#### OPPOSITION TO PROGRAM

I am an opponent of the program, not as such but I have supported this program for 5 years in the House of Representatives and last year I voted against it. When I voted for it I did it with reservation and in voting against the program I likewise did so with certain reservations. I feel that the program is necessary to some extent and I think that up to a certain point it is in the best interest of our own country and in the interest of our own national security.

But I do feel that we are spending too much money. I feel we are participating in programs in too many nations. I agree with Senator Ellender that there are people in those countries who are not there because of their ability to do a good job but because of whom they may know. I can recall going to Israel in 1955 and I recall a remark that was made by one of our people there.

#### SITUATION IN ISRAEL

He did not know that he was in the presence of the chairman of the subcommittee, Congressman Zablocki and myself at the time he made the statement, but he made a statement to the effect that we sold them a bill of goods. In saying that I would say that he merely affirmed the impression that I had had throughout the day or the 2 or 3 days I had been there.

I had the impression that an effort was being made to sell us a bill of goods. Later, of course, when he was confronted with the statement it was denied but the statement was made.

When we were in Vietnam we went out to see a project there. We went by the project. We turned and we went by it again. We turned and we went by it again.

Finally, we located it. We met this gentleman who was in charge of the operation there. He could not find the project. I assumed he had been there long enough to learn at least where the project was located.

I could go on and name incidents like that which certainly did not impress me as a visiting Congressman with the excellence, ability, and efficiency that certainly we would expect from people whose responsibility it is to carry out the purposes of the program in the various countries. So I join Senator Ellender, although I have not had his tremendous experience and I have not had the opportunity to observe the operations in these countries that he has had, but from my limited observation and from my limited experience I certainly have formed an impression which makes me think he is quite right in what he has said.

I feel, Mr. Secretary, that in saying what I have said, it is much like I feel when people say to me, "Why, you are a fine Congressman, you are a fine Senator, but you just happen to belong to the wrong political party and I can't support you." I feel you have done an excellent job, Mr. Secretary, but I do want to continue to oppose this program until it is brought somewhat in line with what I think is a better administration of it and some sort of economy put into execution above that which we hear reported often now as being the practice rather than the exception. I am concerned that we are giving assistance to 58 nations and territories. I just cannot convince myself that we can expect support from these 58 nations if the chips were ever down and we had to have assistance from them.

#### TOTAL NATIONS IN PROGRAM

I am a strong believer that we are participating in too many countries. I wonder if, for the record, the names of the 58 nations and territories which are mentioned on page 6 of your statement might be included in the transcript of our hearings.

Mr. DILLON. Certainly.

(The information requested appears on p. 180.)

#### NECESSITY FOR GOOD GUIDELINES

Senator BYRD. I like what Senator Ellender had to say, too, about the necessity for some good guidelines or criteria being followed in the selection and in the prosecution of the projects we engage in in other countries. I know how difficult it is for the two Senators from West Virginia to get a little item, an appropriation for a dam or flood control measure in West Virginia, and I say this with all the courtesy and kindness and appreciation to Senator Ellender and the other Senators who sit in on the public works appropriation subcommittee and full committee. They have been very generous with us and very

sympathetic but I cannot see why we should not expect definite criteria to be set up whenever we select projects in other countries.

I think it would be in the best interests of the country involved that we seek to participate in projects where we can rest assured that justifiable benefits will accrue from the expenditure of our money. I simply cannot see why Congress should be criticized for demanding that this cost-benefit evaluation be followed.

I feel very humble, Mr. Chairman, in attempting to ask any questions since someone like Senator Ellender on the committee probably knows the answer to any questions I might ask, I feel that I would be imposing on the time of the committee and on the time of the Secretary, but I do take some comfort in realizing that I have to make the same decisions that Senator Ellender has to make and I have to learn these things and it takes some time.

#### TOTAL UNOBLIGATED FOREIGN CURRENCIES

What is the amount of uncommitted or unobligated local currencies, Mr. Secretary, that we have in our possession as of this time?

Mr. DILLON. It is in these books here. It is on page 171 of this red book. It shows unobligated balance on June 30, 1959, estimated, a total of some \$673 million, which is divided into various categories. The largest is Public Law 480, title I, which is \$493 million of it.

Senator BYRD. Where is that figure in this table?

Mr. DILLON. Mr. Murphy will show it to you.

Senator BYRD. What is the estimate for 1960?

Mr. DILLON. It would be a little less.

Senator BYRD. \$559 million.

Why is this secret material, Mr. Secretary?

Mr. DILLON. I don't think it is.

Senator BYRD. It is bound in a secret volume that is marked secret here.

Mr. DILLON. In these volumes only the shaded portions are classified. All the portions that are not classified are printed, as this printed table is.

#### DURATION OF DEVELOPMENT LOAN PROGRAM

Senator BYRD. How long do you expect the development loan program to continue?

Mr. DILLON. As I said in answer to an earlier question, I think that will have to continue for the foreseeable future, for quite a period of time, until these different countries can begin to carry their own weight. Now that will vary from country to country. I would hope that in Latin America and in countries such as India we might reach that stage in the period of time that is relatively foreseeable, in 10 years or so. But you see some other countries, such as some of the countries in southeast Asia it may be longer.

Senator BYRD. What level of assistance do you anticipate our having to provide over this period of the foreseeable future in the Development Loan Fund?

Mr. DILLON. For the Development Loan Fund it is hard to look ahead. There have been estimates made by various competent economists that run very high, up to \$1½ to \$2 billion a year. But our

experience so far has not indicated as yet that we can find good projects for anywhere near that amount.

I would say as far as I can foresee, the way the projects are developing now, I can not foresee but only a billion dollars a year.

Senator BYRD. You think the program can be expected to continue from 10 to 20 to 30 years?

Mr. DILLON. I would certainly agree with 10, and I think it would go more toward 20.

Senator BYRD. Ten years at a minimum?

Mr. DILLON. Yes.

Senator BYRD. On page 86 of this mutual security program booklet here you say:

By January 31, 1959, the DLF was virtually loaned out.

It says:

By the end of fiscal year 1959 or shortly thereafter the DLF is expected to be out of loan funds again. At the same time it will have an estimated 1½ billion of screened proposals on hand.

#### LOAN REPAYMENTS

What kind of return are we showing from the loans that have been provided under this program?

Mr. DILLON. The average interest rate is something like 4.4 percent, I think.

Senator BYRD. What in the way of repayment of principal have we been able to realize?

Mr. DILLON. I think there has only been one very small repayment of principal. The operations did not start at all until about a year ago. Our repayments of principal are generally on a minimum basis for the first 2 or 3 years the loan is outstanding while the project is being completed. After that time they speed up and the average length of our loans is about 15 years.

Senator BYRD. What percentage of the principal do we hope to get back in dollars?

Mr. DILLON. I think that the latest figure showed roughly 20 percent of our loans were repayable in dollars.

Senator BYRD. The remaining would be foreign currencies which we will find very difficult to convert into dollars.

Mr. DILLON. I think that is correct.

Senator BYRD. And which will be reloaned to the countries in question.

Mr. DILLON. Presumably that will be the case, at least in the first instance.

#### REVOLVING FUND WITHIN EACH COUNTRY

Senator BYRD. Then it amounts to a revolving fund for each country that we provide loans to under this program? It amounts to a revolving fund within that country; does it not?

Mr. DILLON. The local currency portions that are repayable, when they are repaid is in effect just that; yes.

Senator BYRD. This revolving fund can be used by a particular country to purchase goods and services from other countries in Eastern or Western Europe or Japan and such as you referred to by Senator Ellender a while ago.

Mr. DILLON. No, the local currency portions in the revolving fund in these underdeveloped countries cannot buy products, outside of the country, either. It can only be used for internal financing.

#### EFFECT OF FOREIGN AID PROGRAM ON NATIONAL DEBT

Senator BYRD. Now, in your statement, Mr. Secretary, you had some comment to direct toward those of us who often refer to the portion of the national debt which might be recognized as a result of our past foreign aid appropriations. I am interested in knowing just how much of the national debt might properly be ascribed to our past foreign aid program.

Mr. DILLON. I do not know any way in which you can ascribe to any one particular program of the Government. When you have a budget that is in balance I would say nothing is ascribed to it. When we had a deficit last year where you had some \$12½ billion deficit, and our national debt must have increased accordingly, you could ascribe to that increase any item in our budget that you wanted.

Probably the fairest way would be to take the fact that the mutual security program last year spent, I would say, about \$3½ billion out of the \$77 billion, or about 5 percent. So therefore about 5 percent of the increase could be ascribed to it.

Senator BYRD. Can we not say that the moneys which have been spent in this program over the past 12 or 14 years, which includes the Marshall plan programs also, can we not say that that amount, whether it is \$60 billion, \$70 billion or \$55 billion, whatever it is, that that amount of our total national debt is to be ascribed to the expenditure of moneys under the foreign aid programs?

Mr. DILLON. Well, I think you could put it this way: You could say if you had not had a foreign aid program at all and if you had not had to do anything else as a result of not having it, then that would be correct. The \$55 billion would not have been spent. But if, as we believe, you had not had any and there had been resulting chaos and problems in other parts of the world it probably would have led us to spend the equivalent over that period of time or it might have been a great deal more in our own defense expenditures. So you come out even in the wash. That is why I say it is so hard to ascribe any particular figure.

#### TOTAL EXPENDITURES BY WAY OF GRANTS

Senator BYRD. How much have we actually spent in the way of grants? I have heard various figures.

Mr. DILLON. Usually the larger figures include grants, loans, and all sorts of things.

Senator BYRD. Does it approximate \$60 billion?

Mr. DILLON. Not in grants. Nowhere near that.

Senator ELLENDER. About \$51 billion, which includes military assistance.

Mr. MURPHY. The total funds for which we account under the mutual security program, from 1948 to the end of 1959, is \$51.7 bil-

lion. Almost \$3 billion of that was in loans. So on a grant basis the balance would be \$48 billion, yes.

Senator BYRD. Then is it not logical to say that of the \$285 billion national debt we have today that \$51 billion of that is the result of the foreign aid program?

Mr. DILLON. I would think not. As I say, if we had not had the foreign aid program we would have had to have equivalent expenditures in our Defense Establishment which would have brought us to the same conclusion and maybe even a worse conclusion than we are at today. Also, for what it may be worth, our national debt in that same 10-year period increased \$24 billion, not \$52 billion. That is another reason it is difficult to ascribe it just to the foreign aid program. What I am trying to say is if you could conceive of not having had a foreign aid program and not having had any other expenditures as a result of that, then what you say would be perfectly logical. But we do feel that there would be a need for very substantial defense expenditures if we did not have this program.

Senator BYRD. The same thing could be said about the money if we had not spent it in the intervening years.

Mr. DILLON. That is right. I think our national defense budget would have been at least \$50 billion higher over that period of time if we had not had this program.

#### INTEREST ON THE NATIONAL DEBT

Senator BYRD. That is probably true. Do we not overlook so many times, though, the interest we are paying on our national debt, that portion of the interest each year which is really interest on moneys that we have expended over the years for foreign aid? The interest we pay this year will probably be \$8 or \$9 billion. Certainly we must not overlook the fact that a portion of that \$8 or \$9 billion is actually interest on foreign aid moneys we have expended over the years.

#### NATIONS ASSISTED BY SOVIETS

What are the 19 nations referred to on page 3 of your statement? I think these are 19 nations in which the Soviets have participated in economic assistance programs.

Mr. DILLON. We have a table which I can put in the record here. I can read them to you.

Senator BYRD. If you will just put them in the record, Mr. Secretary.

Mr. DILLON. Fine.

Senator ELLENDER. And with the amount of money that was made available to them by Russia.

Mr. DILLON. This is a classified table.

Senator ELLENDER. And whether they were grants or loans?

Mr. DILLON. I think we will have to break it down. Most of them are loans. Recently they have begun to make some grants but most of them have been loans, the great majority.



(The data referred to follow:)

*Sino-Soviet bloc credits and grants extended to underdeveloped countries of the free world Jan. 1, 1954-June 30, 1959<sup>1</sup>*

[Million U.S. dollars]

| Area and country              | Total | Economic <sup>2</sup> | Military |
|-------------------------------|-------|-----------------------|----------|
| Total.....                    | 2,826 | 1,853                 | 773      |
| Middle East and Africa.....   | 1,553 | 943                   | 610      |
| Afghanistan.....              | 245   | 213                   | 32       |
| Ethiopia.....                 | 2     | 2                     | 0        |
| Guinea.....                   | 1     | 1                     | 0        |
| Iran.....                     | 6     | 6                     | 0        |
| Iraq.....                     | 257   | 138                   | 120      |
| Pakistan.....                 | 3     | 3                     | 0        |
| United Arab Republic:         |       |                       |          |
| Egypt.....                    | 658   | 343                   | 315      |
| Syria.....                    | 304   | 177                   | 128      |
| Yemen.....                    | 60    | 43                    | 17       |
| South and southeast Asia..... | 854   | 601                   | 183      |
| Burma.....                    | 17    | 17                    | 0        |
| Cambodia.....                 | 34    | 34                    | 0        |
| Ceylon.....                   | 58    | 58                    | 0        |
| India.....                    | 323   | 323                   | 0        |
| Indonesia.....                | 402   | 239                   | 163      |
| Nepal.....                    | 20    | 20                    | 0        |
| Europe.....                   | 114   | 114                   | 0        |
| Iceland.....                  | 5     | 5                     | 0        |
| Yugoslavia.....               | 110   | 110                   | 0        |
| Latin America.....            | 106   | 106                   | 0        |
| Argentina.....                | 104   | 104                   | 0        |
| Brazil.....                   | 2     | 2                     | 0        |

<sup>1</sup> Because of rounding, figures may not add to totals.<sup>2</sup> Including about \$167 million in grant aid to Afghanistan, Cambodia, Ceylon, Egypt, Guinea, India, Nepal, Pakistan, and Yemen.<sup>3</sup> Not including about \$354 million in credits extended in 1956 and subsequently either canceled or allowed to expire.

## TOTAL SOVIET EXPENDITURES

Senator BYRD. It looks to me as though the total here is \$2.3 billion, which has been expended by the Soviets.

Mr. DILLON. That is right.

Senator BYRD. What is the total in the same 5-year period that the United States expended in those same 19 countries?

Mr. DILLON. In those same 19 countries, counting all U.S. aid which includes mutual security, Development Loan Fund, export-import loans and Public Law 480, agricultural products, we spent \$5.5 billion.

Now the mutual security program in those same countries is \$2.4 billion, there is a difference of just about \$60 million between us and the Soviet Union.

Senator BYRD. What is wrong with letting the Soviet extend some money for the removal of poverty and privation, ill health and illiteracy in some of those countries?

Mr. DILLON. As I said in answer to Senator Ellender, I don't think anything is wrong with it.

Senator BYRD. In some of the countries we have benefited we don't seem to have helped ourselves much in the way of respect and high regard for our good intentions. I am wondering if perhaps we

were to let the Soviets extend a little more in some of those countries, they would earn some ill will and not good will.

#### RUSSIAN POLICY ON AID PROJECTS

Do not the Russians expect some kind of yardstick or benefit-cost evaluation when they go into a country to participate in a project?

Mr. DILLON. They finance their projects much more on a political basis. When they determine that they want to help a country their practice has been with a minimum of conditions they just say, "Here is so much money, you can spend it any way you really want," and then if the country wants to build a road from point X to point Y, whether or not they think it is a good job, or a thing which needs to be done, they don't seem to pay much attention. They just go ahead and build it.

Senator BYRD. I am a little disappointed in what I thought were hardheaded businessmen in the Soviet Union and hardheaded politicians.

Mr. DILLON. They are after political returns and I think they think this the way to get it. They may find out in the long run that it won't work out that way.

Senator BYRD. They are pretty demanding and pretty astute in seeing that there is a quid pro quo, are they not?

#### REPAYMENTS IN COMMODITIES

Mr. DILLON. Most of their foreign aid has been on a loan basis in which they require repayment in commodities, something produced by the local country. On that they are much more flexible than we are because they will take any commodity even though it is a commodity that is in surplus in the Soviet Union. Then they either dump it in some other part of the world or dispose of it in another way, I don't know how.

Senator BYRD. I find it difficult to become stampeded by the idea that we have to match or surpass every dollar that is offered by the Soviets to these various countries.

Mr. DILLON. We don't feel that, either. We do not feel we should try. Where they make a major effort they only pick a few countries. We see no possibility of our surpassing them in every country and we make no effort to do so in the countries where they have made there largest effort.

All we are saying is that we feel we should have, it is very important to have, a program at least on a comparable basis because we have greater obligations in other parts of the world, the underdeveloped world happens to be mostly free where our overall programs have to be largely.

#### PAKISTAN ISSUE IN AFGHANISTAN

Senator BYRD. Is the Pakistan issue still one of great potency in Afghanistan?

Mr. DILLON. Yes.

Senator BYRD. Are the Russians still playing on the hearts and minds of the Afghans trying to pit them against the Pakistanis.

Mr. DILLON. I think they are on this issue. We are doing what we can to persuade both sides to come to an understanding. We have a project now which includes road communications between Pakistan and Afghanistan which both countries have agreed to jointly and we think it will be helpful in that way. It is one of our major objectives but it is not an easy one. It has been an age-old difference of opinion in the Afghan-Pakistan discord.

#### ROAD BUILT BY THE RUSSIANS

Senator BYRD. What has been the outcome of the road which the Russians put down in Kabul?

Mr. DILLON. That particular road they did not do too good a job with, and it has been necessary to repave it. Of course they are building a lot of other roads now. They are building a road from Russia to Kabul, which is a major highway. Also they have just announced that they are going to build another road, as a grant this time, which will run from Soviet Union direct to Kandira further south. It is really a road directed right at Pakistan.

Senator BYRD. It seems to me there was a road running out, I just cannot remember how to describe this road, but when we were there in 1955 there was a road which the Russians had built. There was a good bit of adverse comment from the Afghans concerning the road and the efficiency of the engineers, and so forth and so on. There was some thought that the road might fall apart within the year.

Are you familiar with the road I am thinking of?

Mr. DILLON. The street paving in Kabul did not stand up very well. They had to do that. The Afghans had to do a lot of that over again.

Senator BYRD. So I assume that the reaction and the comment and the opinion of the Afghans concerning the benefits of this road program and the efficiency of the Russian engineers was not anything to write home about.

Mr. DILLON. That particular project, I think that is a proper assumption but the Soviets have continued with other projects and a number of them have been very successful. Of course their assistance in Afghanistan the last 5 or 6 years since they have started is far greater than ours.

Senator ELLENDER. As I recall, they had a \$100 million credit but they had actually spent only \$12 million.

Mr. DILLON. Yes. But just in the past year they granted, they gave Afghanistan a grant of \$80 million.

Senator ELLENDER. Credit?

Mr. DILLON. Grant.

Senator ELLENDER. That is out of the \$100 million?

Mr. DILLON. No, sir; that is in addition. That is for last year. The total now of credits and grants to Afghanistan runs over \$200 million.

Senator STENNIS. Senator Byrd, pardon me, I think the Chair ought to intervene and ask the Secretary what his situation is. It is 1:30. You may have other appointments and all. We were trying to avoid asking you to come back this afternoon. We assumed you would rather stay late and not come back.

Mr. DILLON. I would rather.

Senator STENNIS. What is your situation? Do you have other appointments you must meet?

Mr. DILLON. I would like to keep myself available to the committee. My next appointment is 3 o'clock, if I may get some lunch before that.

Senator STENNIS. Certainly. Can we finish within a few minutes? I know Senator Ellender has to go to a conference. Suppose we try to finish in a few minutes rather than ask the Secretary to come back tomorrow.

Senator BYRD. I have no further questions. I do feel that the street paving in Afghanistan is a very good lesson in point to support our thesis that there ought to be some pretty good criterion laid down before we rush in to build a project in any country to assure us that the benefits which will flow from it will be worth the expenditure.

Senator ELLENDER. Not only that, but that will do more harm, will cause more trouble between Afghanistan and Russia than anything we can do.

#### GRANTS DECREASED IN DEVELOPMENT LOAN AREAS

I have just one more question, and I will direct it to Mr. Murphy. As I remember, the main purpose for establishing the Development Loan Fund was to gradually decrease the grants. Now what I would like to have, Mr. Murphy, is a table showing to what extent the grants have been decreased in various countries where the Development Loan Fund has been in operation.

Mr. MURPHY. Yes, sir.

Senator STENNIS. You will supply that for the record later?

Mr. DILLON. Yes.

(The information referred to appears on p. 506.)

#### APPRAISAL OF RUSSIAN AID PROGRAM

Senator STENNIS. May I ask you one question, Mr. Secretary.

With respect to the overall success of this Russian intervention in their so-called aid program, what is your appraisal of that? Does it tend to go sour against them in these countries? I know you pointed out some, but generally is that the situation?

Mr. DILLON. I don't think so, Mr. Chairman. I think generally what is happening is that they have run into a lot of very similar, I won't say the same, but very similar problems that we did when we started this program when we did not have much experience with it and we are gradually correcting those and I think they will be gradually correcting their mistakes as they go along.

Senator STENNIS. So your opinion is that it does not go sour in every country, that those are just mistakes that they are making.

#### POLITICAL EFFECT OF RUSSIAN PROGRAM

Now, taking the affirmatively, do you think that they are making any substantial progress then with this program in influencing the people politically and helping shape their economy?

Mr. DILLON. I think there are probably a few countries where I think they are making that sort of progress and certainly in the country like India they are maintaining the idea that they are interested

in the Indian progress and therefore they are friends and their system is probably a system that is all right.

Senator STENNIS. What other country could you specify where you think they have made some headway?

Mr. DILLON. Their overall progress, because they have put so much money in the country, in Afghanistan, is the one we particularly pointed out, and Senator Ellender said that is probably understandable because of the geographical propinquity of Afghanistan to the Soviet Union.

I think they have made greater progress there than anywhere else.

Senator STENNIS. Do you have any other in mind readily?

Mr. DILLON. I think I would rather leave it at that at the moment.

Senator STENNIS. Now about this criteria matter, the economic pressure problem there, but just as one member of the committee, I think something on the criteria is going to prevail, Mr. Secretary.

Mr. DILLON. As I said, we would like to work something out.

Senator STENNIS. That is what I am coming to. I think you ought to work on the language to make a concession on the point and to work out some language, something that you can live under but at the same time will carry out the objectives.

Mr. DILLON. I think we have the same objective in mind.

Senator STENNIS. Did you give the list of those 19 countries that Russia is assisting into the record a while ago or did you say it is already in this booklet?

Mr. DILLON. We are going to insert it in the record. We will supply it.

(The information referred to appears on p. 123.)

#### COMMITTEE RECESS

Senator STENNIS. All right. We certainly want to thank you and your staff, too, for your attention this morning and for your duration, too, and also for your enlightenment.

If there is nothing further, the committee will take a recess now until 10:30 tomorrow morning.

Mr. DILLON. Thank you very much.

(Whereupon, at 1:30 p.m., Wednesday, August 5, 1959, the committee was recessed, to reconvene at 10:30 a.m. Thursday, August 6, 1959.)



# MUTUAL SECURITY APPROPRIATIONS FOR 1960

THURSDAY, AUGUST 6, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:45 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Chavez, Ellender, Robertson, Stennis, Pastore, Monroney, Bible, Byrd, McGee, Saltonstall, Young, Dworshak, and Hruska.

## INTERNATIONAL COOPERATION ADMINISTRATION

### NONMILITARY ASSISTANCE PROGRAMS OTHER THAN DEVELOPMENT LOAN FUND

STATEMENT OF HON. JAMES W. RIDDLEBERGER, DIRECTOR, ACCOMPANIED BY HON. LEONARD J. SACCIO, DEPUTY DIRECTOR; JAMES P. GRANT, DEPUTY DIRECTOR FOR PROGRAM PLANNING; EDWARD F. TENNANT, ACTING ASSISTANT DEPUTY DIRECTOR, CONTROLLER; C. HERBERT REES, PROGRAM OFFICER, NEAR EAST AND SOUTH ASIA; AND WILLIAM ELLIS, PROGRAM OFFICER, FAR EAST

#### INTRODUCTION OF WITNESS

Chairman HAYDEN. The committee will please come to order.

Today we will take testimony from Hon. James W. Riddleberger, Director of the International Cooperation Administration.

Mr. Riddleberger has been in office a little over a month. This is his first appearance.

We are very glad to have you, sir.

Senator ROBERTSON. Mr. Chairman, in view of the fact that Mr. Riddleberger is from Virginia and a personal friend of mine for many years, may I present him to the committee?

Gentlemen of the committee, this witness has been in this office a little more than a month, but he is a career diplomat in the best sense of that term, with over 30 years of experience.

He has served in nearly all the countries of Europe and he has been ambassador with great credit to himself and service to our country in both Yugoslavia and Greece.

Mr. Riddleberger comes of a distinguished family from the Valley of Virginia, his grandfather having been a U.S. Senator.

While Mr. Riddleberger is a Republican, he is one of the high-type ones. In other words, I feel that in administering this foreign aid program he knows the countries over there where most of this aid is going to be distributed and I think we can trust him, whether we believe in economic aid, or not, to see that whatever is made available to him for distribution is going to be efficiently and honestly handled.

It gives me pleasure, then, to say that we have at the head of this, a man I have known for a long time, a man of ability and a man I have great confidence in.

Senator CHAVEZ. What about the Riddlebergers? Were they with Lee and Jackson, or otherwise?

Senator ROBERTSON. They were with Lee and Jackson.

Chairman HAYDEN. You may proceed, sir.

Mr. RIDDLEBERGER. Mr. Chairman and members of the committee, in responding to the more than generous words of the Senator from Virginia, I am not so certain about the political characterization or the family troubles this may lead to for me. I think both of my grandfathers were in the Confederate Army and therefore I presume there is a certain Democratic background, shall we say, to my family.

Mr. Chairman and members of the committee, I welcome this opportunity to appear before you for the first time in my capacity as Director of the International Cooperation Administration to support those elements of the fiscal year 1960 mutual security program appropriation request, which are the responsibility of ICA, including such items as defense support, special assistance, technical cooperation, and the ICA administrative expenses.

In view of the fact that I have come only very recently to this new post, and in order to permit the most effective replies possible to the questions which the committee may desire to ask, I have brought with me today Mr. Leonard J. Saccio, who is the Deputy Director of ICA, and who was the acting director during the period between the departure of Mr. Smith and my own arrival.

#### SUMMARY EVALUATION OF THE PROGRAM

The mutual security program and its predecessors represent, in my opinion, an effective tool in the attainment of our country's foreign policy objectives.

I have personally observed and participated in this program, in both the developed and underdeveloped parts of Europe, for over 10 years, and can confirm its success in Europe in terms of our foreign policy objectives.

Without this program, not only would the map of Europe be very different today, but, in my opinion, we should have been compelled to expend for defense amounts exceeding the cost of these programs in Europe, and our overall defense posture would be far less secure than it is today.

It has helped the free countries of Europe to maintain a military posture which has significantly contributed to deterring or preventing Communist expansion by force of arms. NATO and our complex of strategic bases are a direct consequence of this program.



Without this program the Communist rebels would have taken over Greece. It is also impossible to reconstruct in our minds today the apparently hopeless position of the free forces in Greece, in the late forties, when their authority in Athens itself extended only over a few blocks.

It has helped the free countries of Europe to meet an imminent internal threat to their independence arising out of their economic collapse.

It is doubtful that either France or Italy would be free countries today in the absence of this program.

Economic assistance has made it more feasible for at least one satellite country to break its ties with Moscow. Yugoslavia is a case where aid has helped to make the bloc smaller and diminished its central totalitarian character.

Economic assistance under this program has directly benefited the trade and commerce and thereby the livelihood of the whole free world.

The economic recovery of Western Europe has been a major boon to all free nations.

Also noteworthy is the fact that today Turkey, Greece, India, and others, are receiving substantial help from the European countries which, 10 short years ago, were themselves at the edge of economic chaos.

These accomplishments which I have personally observed in Europe frequently tend to be forgotten in the context of the administrative problems we are confronted with in this program; problems which have become far more difficult as the program has centered increasingly on the lesser developed nations of the world.

It is possibly in this area that our foreign aid programs have received their greatest criticism in recent years.

In part, this criticism has been unjustified and results from failure to recognize that where a major program is carried out in a seriously underdeveloped country, the problems of administration are infinitely more difficult than those faced in Europe.

Circumstances may require, or foreign policy may demand, that we administer an assistance program in a country whose economy is disrupted, or whose political system is weak, or whose finances are chaotic, or whose public ethical standards differ from those we are accustomed to.

Often these very shortcomings are the fundamental reasons which compel special assistance or defense support.

#### RECRUITMENT PROBLEMS

There have been difficult problems in inducing American personnel to take up service in some of these countries, for reasons which are fairly apparent in view of recent and present circumstances.

In Korea, for some time, American technicians were not allowed to bring their wives and families because of inadequate housing and living conditions.

In Vietnam frequent assassinations and terrorist activities continue, although on a reduced scale.

Taiwan is still menaced by the constant threat of a renewed outbreak of hostilities.

Afghanistan and Laos are extremely isolated countries with very difficult living conditions.

The major programs in such countries cannot be accomplished overnight and are fraught with many problems and many dangers.

However, with the benefit of hindsight, it is now apparent that the United States could have coped with some of these administrative problems more effectively than it did.

Progress is being made in the field of administration, but more remains to be done, and I intend to make a major effort in this field.

Language training, personnel recruitment, and inservice training, for example, have all been greatly stepped up. Internal audits and evaluations of programs have been increased.

A career system for specialists in the oversea economic assistance program is being established.

#### CONGRESSIONAL RELATIONS

This is my first opportunity to play a major role in supporting the mutual security program before the Congress. I look forward to a continued constructive association. In this association I hope to be guided by two principles, candor and cooperation.

Within my powers, I shall not withhold facts, no matter how damaging they may be. I shall assume personal responsibility for all decisions which I make, but I shall treat as privileged the judgments and recommendations of my staff which were considered in reaching my decisions.

Honest differences of opinion are the price of an independent and imaginative staff.

We welcome the opportunity to explain the program and to discuss controversial points with you fully, at all times of the year.

But I venture to hope that cooperation, by definition, is a two-way matter.

I take this opportunity to protest against section 113 of the House Appropriation bill. The questions of relationships, disclosure, and privilege are extremely important and fundamental.

In my judgment, however, they do not lend themselves to a mechanical solution such as is contained in the House bill. I strongly recommended that the Senate oppose this provision.

#### REQUEST FOR APPROPRIATIONS

I should like to turn now to a discussion of the President's request for appropriations for the defense support, technical cooperation, and special assistance programs administered by the International Cooperation Administration. The President requested authorization and appropriation for these programs totaling \$1,286.3 million. In the authorization process these programs were reduced by \$108.3 million.

The House has now reduced them further by \$128 million, offset in part by reappropriation of approximately \$5 million in unobligated balances.

The total effect so far has been to reduce these programs by over \$231 million, or approximately 18 percent.

In addition, the request for International Cooperation Administration expenses, authorized at the full \$39.5 million requested by the President, has been reduced by \$21½ million to \$37 million.

There is no question but that these reductions by the House are of such magnitude as to weaken unduly one of our principal instruments for foreign policy.

The cuts made by the House in defense support and special assistance are so extreme that they are, as the President said on July 24 with respect to the total of the cuts proposed by the House, deeply below the minimum considered necessary for the security of the United States and the free world.

The reduction approximately of one-sixth in funds requested for technical cooperation will have some immediate adverse consequences in fiscal year 1960, principally in Africa and Latin America, but the major adverse effect will be felt in future years since the lack of human skills and the institutional deficiencies of the underdeveloped countries represent even more of an obstacle to the progress of the underdeveloped countries than the lack of capital.

The cut in the funds requested for administrative expenses can only result in less efficient use of much larger amounts of program funds.

#### DEFENSE SUPPORT

The House bill contains a defense support appropriation for fiscal year 1960 of only \$700 million. This compares with the congressional authorization of \$751 million.

In fiscal year 1959 Congress authorized \$810 million and appropriated \$750 million.

But actual obligations totaled \$808 million, requiring the use of \$58 million from the contingency fund.

The House appropriation for fiscal year 1960 is below the minimum required for a vigorous, positive program in support of U.S. objectives. Seven hundred million dollars will only buy an inadequate stopgap program and would involve serious risks to our national security.

Defense support is an indispensable ingredient of U.S. security. It provides economic aid to 12 nations with significant military forces beyond their capacity to support unaided.

Eleven of the twelve are found on the perimeter of the Sino-Soviet bloc, and their forces provide a valuable deterrent to aggression and a means of effective defense involving less risk of spreading the war than if U.S. forces were used.

The 12th, Spain, provides important air and naval bases to the United States.

#### INCREASE IN COMMUNIST THREAT

The Communist threat has increased in intensity and versatility. The Soviet bloc will certainly probe and exploit any suspected weaknesses in the free world defenses.

While its efforts and skill at economic penetration have increased, there is no evidence that the military threat has in any way diminished. In fact, there is considerable evidence to the contrary during the past 12 months.

In the Far East during this period of time, the Red Chinese have fiercely attacked the offshore islands and pressed their claim as the legitimate Government of China.

The Communist Vietminh have maintained an insidious campaign of infiltration and terror in Vietnam which, during the past 12 months alone, has taken the lives of two Americans and of hundreds of Vietnamese.

Laos, a weak nation, with over 600 miles of common border with the Communist bloc, is at this very moment defending itself against Communist rebel forces.

Turning to the Near East, we see the Communists exploiting economic weakness and fear of retaliation in an attempt to weaken Greece's vital contribution to NATO.

Iran, although recently rejecting a Soviet bilateral security offer, is under continual Communist pressure and faces an added threat from the political instability in Iraq, where the Communists have been extremely active during the past year.

Without adequate defense support, both as a direct source of military strength and as a tangible symbol of continued U.S. support, the task of resisting inexorable Communist pressure will be magnified.

But defense support does more than contribute to a defense against military threats. It contributes to a firm economic and political base in 12 relatively weak, and in many cases new, nations beset by a variety of overwhelming problems.

Without political and economic stability, military forces become a delusion and a facade. Such a situation is ready made for Communist victory by default, without a shot being fired.

#### EXAMPLES OF ROLE OF DEFENSE SUPPORT

Four examples of the role of defense support in this respect are worth citing.

1. Pakistan, with a new and, in many respects, promising Government and heavy military obligations, is in an extremely precarious economic situation. A rapidly growing population, declining markets for its exports, dangerously depleted foreign exchange reserves, and idle factories and manpower characterize a country on the margin of privation. This situation allows very little flexibility in U.S. aid levels. Defense support is the margin of economic survival.

2. Korea, with an army two-thirds the size of the U.S. Army, and with limited natural resources, must struggle to maintain economic stability and to increase production and employment apace with its growing population at a time when the North Koreans are continuing their military buildup.

3. Turkey has recently undertaken a broad stabilization program designed to revitalize its economy. Defense support has made a major contribution to that effect. Sharp reductions would jeopardize the stabilization program, delay disproportionately Turkey's prospects for ultimate self-sufficiency, and raise doubts about United States interest in Turkey's longrun economic growth.

4. Cambodia is a major Communist target for economic penetration. Grant aid and attractive trade proposals are favored techniques.

To date, Cambodia has resisted Communist inroads into the military establishment and other vital organs of government. Any les-

sening of free world support might make it increasingly difficult for this nation to resist the pressure.

Even though defense support is an indispensable ingredient of military strength, it does not follow that reductions in military assistance, assuming for the minute that they were desirable, would justify reductions in defense support.

Defense support requirements bear no precise relationship to the size of the military assistance program in the 12 recipient countries. And cuts in military assistance will not necessarily lead to reductions in country military budgets or force levels which are basic determinants of defense support requirements.

It may be possible to accommodate defense support reductions in part by deferring requirements. Inventories and foreign exchange reserves can be drawn down below the danger point, deficit financing can be used to meet military budget requirements, and the defense support pipeline can be depleted below safety levels.

Such measures, however, only delay progress toward greater self-sufficiency and retard the objective of eventually shifting the burden of the support of these forces from the United States.

I, therefore, urge the appropriation of the full \$751 million which is authorized.

#### BILATERAL TECHNICAL COOPERATION

The executive branch has requested, and the Congress has authorized, \$179.5 million for bilateral technical cooperation in fiscal year 1960. The House bill contains only \$150 million for this purpose, the same amount as was authorized and appropriated for fiscal year 1959.

This reduction, in a small, but highly effective program, strikes me as shortsighted. The magnitude of the need which the program is designed to meet and the opportunity it provides for America to strike a telling blow against ignorance and disease call for vision, not for parsimony.

Motivated by both humanitarianism and enlightened self-interest, technical cooperation is one of the most effective oversea programs ever initiated by the United States. It brings political and psychological as well as economic benefits.

It is a means of uniting Americans and the people of the lesser developed nations in a common attack on problems of economic growth, education, health, and human dignity. In proportion to its costs, the returns are great.

The effects of this cut of nearly one-sixth of the proposed program for fiscal year 1960 will be felt in many of the underdeveloped nations of the free world.

Technical cooperation has played a major role in our foreign policy in the Western Hemisphere. The executive branch has proposed a 25 percent expansion in Latin American technical cooperation.

While this expansion is large in terms of percentage, the money required, \$9 million, is not large and the policy reasons for the expansion are demanding.

It makes no sense to provide for expanded capital flow to our neighbors through defense loan fund, IBRD, the new Inter-American Bank and the Eximbank, if we do not at the same time enable a develop-

ment of the human and institutional resources to absorb and utilize effectively this capital flow.

#### EXPANSION FOR AFRICA

The worldwide increase requested for fiscal year 1960 would have allowed close to a 50-percent expansion for Africa for only \$6.3 million.

The Senate Committee on Foreign Relations welcomed the increased activity in Africa.

The continent of Africa, witnessing a succession of newly independent nations, and the awakening of political freedoms and ambitions, will become a major battleground for men's minds.

Ghana, Guinea, and Tunisia have already changed the map, with Nigeria, Somalia, and others soon to follow.

Rich in human energy and natural resources, but deficient in the skills required for effective government and technical progress, it is imperative that the United States share its knowledge with these eager and promising peoples.

The Communists will not fail to exploit any opportunities we thrust upon them. The cost is low and the stakes are high.

In Asia the increases requested are relatively small. In countries supporting large military forces, technical cooperation is a means of stimulating economic development and self-sufficiency, thus decreasing the long-run cost to the United States.

#### HOUSE REDUCTIONS

The House bill has not only cut the funds available for technical cooperation, but the House Appropriations Committee stated that both the number and individual cost of training for each participant in the program be reduced.

The President's appropriation request would have financed the training of 10,500 foreign technicians, an increase of 10 percent from 1959.

In my view, this is one of the most effective elements in the technical cooperation program. It not only provides much needed technical skills, but also exposes potential leaders to the American way of life.

#### HOUSE COMMENT

Frankly, I cannot understand the reason underlying the statement by the House Appropriations Committee. It is inconsistent with the findings of the Committee on Foreign Affairs, which stated:

The participant training program has been augmented with emphasis on English language training facilities in the less developed countries and on supporting services both in the United States and abroad. The committee is pleased with the progress made.

Moreover, Congress appropriated \$8 million for 1959, to allow, in part, a more effective participant program.

I strongly recommend that the Senate oppose this provision.

#### 1959 FUNDS OBLIGATED

In fiscal year 1959, well over 99 percent of the funds available for the general purposes of technical cooperation was effectively obligated

and the base was laid for a substantial expansion of this program in fiscal year 1960.

There was a balance of some \$3 million remaining out of the \$8 million specially authorized by Congress for strengthening the training and personnel aspects of the program which the executive branch did not use for other technical cooperation purposes, even though the need existed, because of the special purpose for which it was made available by Congress.

Throughout fiscal year 1959, the proposed fiscal year 1960 technical cooperation program has been under review on the basis of experience, to determine whether the proposed expansion could be effectively implemented, primarily in terms of recruitment of American technicians and training of foreign nations. This review leaves us confident that an expanded program can be successfully implemented.

Restoration of \$25.6 million of the House reduction of \$29.5 million would, together with the carryover of the estimated \$3.9 million of prior year unobligated funds, provide the \$179.5 million requested by the President for fiscal year 1960.

I sincerely hope this committee will decide to restore the amount indicated.

#### SPECIAL ASSISTANCE

The President requested \$272 million for special assistance. The authorization bill provides for \$247.5 million.

The House bill contains only \$200 million, or \$72 million below the amount originally requested.

The fiscal year 1959 appropriation for special assistance was \$200 million, but actual obligations were \$278.2 million, which made necessary the use of the President's contingency fund and other sources totaling \$78.2 million.

The special assistance has taken by far the sharpest reduction of all. Special assistance is a flexible, multipurpose tool which is programmed to counter Soviet thrusts, to prevent political and economic collapse, to combat disease, and to achieve specific United States policy or objectives.

Cuts weaken the President's capability and they hand the Communists opportunities to exploit exposed and weak nations.

Special assistance programs can be classified into three groups:

1. Those which, for good and sufficient reasons, must be increased over last year's level;
2. Those which are relatively inflexible; and
3. Those which would have to bear the brunt of the reduction of funds available for special assistance.

#### PROGRAMS REQUIRING INCREASES

The malaria eradication program is both an important humanitarian program, and a most important economic program. If eradication is to be achieved, funds provided this year must be in greater magnitude than last year. Last year \$25 million was provided, and this year \$35 million is required.

This increase is required if the momentum of this program is not to be lost. If this activity does not accelerate as planned from a technical point of view, there is danger that the advances made to date would be lost, jeopardizing much of the U.S. investment made.

At a meeting of the Baghdad Pact nations in January 1958, Secretary Dulles committed the United States to providing up to \$10 million for a vital telecommunications link between the capitals of the Middle Eastern members of the pact.

It is anticipated that, although no funds were required last year, at least \$5 million will have to be provided for fiscal year 1960.

The United Nations emergency force requires a voluntary U.S. contribution of \$3½ million for this year. This force is essential for security in the Suez area, and there is no reasonable alternative to the U.S. support of this United Nations force.

#### PROGRAMS WHICH ARE RELATIVELY INFLEXIBLE

There are several programs which because of political commitments or the specific nature of the U.S. interests are either fixed or relatively inflexible.

Two examples can be given:

1. Libya. The special U.S. interests in Libya involve the continued operation of U.S. military installations and the maintenance of Libyan pro-Western orientation in this critical Africa area.

2. Jordan. The preservation of the independence and political integrity of Jordan is essential to peace and stability in the Middle East and thus is vital to U.S. interests.

Failure to maintain conditions of stability in Jordan would have repercussions throughout the area.

In view of its limited resources, the Government cannot even maintain normal government expenditures, much less maintain present military forces and carry forward an economic development program, without major external assistance.

#### PROGRAMS THAT WOULD SUFFER REDUCTION UNDER PROPOSED CUT IN SPECIAL ASSISTANCE

The programs that must be increased—malaria eradication, Baghdad Pact, and United Nations Emergency Force—and the relatively inflexible programs; were proposed for \$154.5 million in fiscal year 1960.

No significant reductions are possible within this amount.

Therefore, the House appropriation level only leaves the difference between this \$154.5 million and \$200 million, namely, \$45.5 million, to carry out all of the remaining special assistance programs.

Among the principal remaining programs to be financed at this recommended level of appropriation are the following 13 programs: Berlin, Bolivia, Yugoslavia, Indonesia, Sudan, Nepal, Ethiopia, Liberia, Tunisia, Somalia, Afghanistan, Haiti, and the American schools.

Last year, these same 13 programs utilized \$105.8 million, as compared with the \$45½ million available to them if the present proposed appropriation level of \$200 million stands.

Thus, cutting this appropriation to \$200 million of necessity means cutting the total from special assistance for these programs by more than 50 percent.

These 13 programs to which the recommended slicing of the special assistance appropriation would apply, are:



1. Berlin. It is imperative at this juncture to maintain our support for this island of freedom;

2. Nepal. In view of the heavy competition with the Soviet and Chinese Communists in this country, it would be politically dangerous to reduce the program, small as it is.

3. Ethiopia. The Soviet Union has recently granted Ethiopia a \$100 million line of credit. Now is no time for retrenchment in this program, small as it is.

4. Somalia. This program, which last year was less than \$1 million, provides little opportunity for saving in money, and, in fact, moderate increases are required as this territory prepares itself for independence in 1960.

5. Indonesia. The situation in Indonesia, where the battle for men's minds is in delicate balance, calls for stability in U.S. policy.

6. Bolivia. We are all aware that the situation in Bolivia is most dangerous. Our support of that country remains a critical necessity from an overall hemispheric point of view.

7. Yugoslavia. Our assistance is a part of our support of this country's independence from the Soviet bloc.

8. Tunisia. Our program is required to secure our mutual economic objectives and to maintain the strong Western orientation of this newly independent Arab nation.

9. Aid to American schools. This valuable program received \$4.25 million last year, and a similar amount should be provided to continue the effort already underway.

Similar dangers exist in cutting the other four programs—Liberia, Afghanistan, Sudan, and Haiti. Some savings may be possible, but can we save 50 percent and still protect the interests of the United States.

Moreover, no money will be available for several new programs unless the total for these 13 programs is cut by more than 50 percent. These new programs of community water supply, international medical research, and investment incentive, represent new approaches to old problems, the solutions of which are most important from the United States point of view.

Here, again, I urge the appropriation of the full \$247.5 million authorized.

#### INVESTMENT INCENTIVE FUND PROGRAM

The executive branch request for special assistance funds included \$5 million for projects and programs to encourage local and foreign private investment in the developing countries.

However, the House Appropriations Committee report on the Mutual Security Appropriations Act, 1960, states:

The committee has specifically denied the \$5 million requested for the investment incentive fund program.

International Cooperation Administration for years has financed many projects to encourage local and foreign private investment within regular country programs.

The request of \$5 million for the investment incentive fund was designed to give new and greater emphasis to building up the private sector of less-developed countries. The fund would permit the U.S. Government to move quickly on emerging investment opportunities

and to test new techniques for the countries themselves to build on in future years.

Despite the interpretation of the House Appropriations Committee, this is not—I repeat, not—a program to increase the demand for U.S. Government aid. It is precisely the opposite.

It is a program to stimulate local private capital and to increase the opportunities for foreign private and local capital to do the jobs which public aid is increasingly being called on to do.

In many countries there is a discernible willingness on the part of the governments to exert greater efforts to encourage private investment. The United States should encourage these attitudes which have contributed so much to our strength as a nation.

#### EFFECT OF HOUSE LANGUAGE

The language in the House report, if followed as a congressional directive, would:

A. Seriously cripple the ability of the U.S. Government to implement the Straus report recommendations, prepared in response to section 413(c) of the Mutual Security Act;

B. Create confusion, in the minds of the peoples and governments of the developing countries as to the priority the U.S. Government places on private enterprise.

I urge that the Senate Appropriations Committee oppose the House directive and make a positive reference to the intended use of available special assistance funds specifically for the private investment program.

#### ADMINISTRATIVE EXPENSES

I am somewhat mystified by the action of the House Appropriations Committee and the House in reducing the amount of administrative expenses from \$39.5 million to \$37 million.

Obligations during fiscal year 1959 exceeded \$36 million as compared to the appropriation of \$33 million for this purpose for fiscal year 1959.

The appropriation had to be supplemented to meet the costs of the pay raise voted by the Congress for all employees and also to finance certain improvements in the personnel and training systems of ICA which were sponsored initially by the action of the House in adding \$8 million to the authorization for technical cooperation for fiscal year 1959, which action was later endorsed by the Senate in the authorization bill and by both Houses in the appropriation bill.

Parts of the costs involved in improving these systems are chargeable normally to administrative expenses and the 1959 appropriation was supplemented in the amount of \$1,050,000 by the transfer from the technical cooperation account.

The effort undertaken to meet the congressional mandate during fiscal year 1959 will, of course, cost more than \$1,050,000 during fiscal year 1960. Many of the personnel involved could not be hired until some period after the legislation was enacted and the cost of maintaining them on the payroll for the full fiscal year rather than the partial fiscal year explains this increase in part.

Approximately \$1.7 million of the increase requested for fiscal year 1960 is for full year salary costs and related expenses of posi-

tions for which only part year funding was provided for in fiscal year 1959.

If the action of the House on this item is sustained, we will be faced with the serious dilemma of having inaugurated improved personnel and training programs and yet be deprived of the funds necessary to finance such programs.

Approximately \$1 million of the fiscal year 1960 increase is for personnel and related costs to strengthen field missions in Africa and Latin America. It is proposed to add 38 Americans and 194 foreign nationals to be assigned to the newly developing programs in Africa.

No increase is being requested in Washington employment above that authorized in fiscal year 1959.

I urge most strongly, therefore, that the committee give favorable consideration to restoring \$2,375,000 to this appropriation which, together with reappropriated unobligated prior year funds estimated at \$125,000 would provide the full \$39½ million requested.

#### OTHER RESTRICTIVE PROVISIONS

Lastly, I should like to record my strong opposition to two provisions of the House appropriation bill which, if retained by the Congress, would hamstring ICA in its administration of the program.

The House bill prohibits the use of defense support, special assistance, and the contingency fund for projects which have not met the feasibility standards prescribed by the Budget Bureau for U.S. flood control, reclamation, and related resource programs.

ICA endorses the principle that its projects be evaluated from the standpoint of economic and technical feasibility. We consider section 517 of the Mutual Security Act, enacted last year, to be a highly constructive provision. It requires engineering studies and firm cost estimates on all projects of over \$100,000.

ICA is carefully implementing this provision and, in our judgment, it fully assures that the projects are evaluated before undertaken.

We oppose the new provision of the House bill, not only because it is unnecessary, but because the Budget Bureau standards for U.S. projects are not suited to the conditions in underdeveloped countries, or to the requirements of foreign policy:

First, the Budget Bureau standards apply only to water and land resource projects, while ICA's projects range from small loan funds to commodity imports;

Second, the application of the Budget Bureau's criteria depends upon the availability of reliable statistics which are not generally available in underdeveloped areas.

Third, many ICA projects—for example in the fields of education, health, or public administration—do not lend themselves to economic assessment.

Lastly, the ICA programs involve a wide range of political and economic objectives. It is impossible to translate foreign policy and national security benefits into dollars and cents. It is necessary to use judgment, not prescribed criteria, in determining the considerations and their relative weights to be used in assessing the benefits of a project.

## CONTRACTING PROVISION

The second provision of the House bill to which I object most strongly, prohibits the use of mutual security funds for contracting with any person or company who provides compensation to any person who has left ICA within 2 years of the date of employment with such person or company.

This provision singles out the employees of one U.S. Government agency for a harsh and inequitable penalty and will make it virtually impossible to recruit top staff in the future, since their employment possibilities upon leaving ICA will be greatly restricted.

The provision would affect a wide segment of the U.S. business community, including commodity suppliers as well as the more than 50 educational institutions under contract with ICA.

Thus, it sharply curtails the private employment opportunities of ICA's present and prospective employees including consultants. It would apply to all, including those with years of honorable service without a blemish on their records.

The provision would not only affect present employees, but would also seriously hamper recruitment.

## RECRUITMENT PROBLEM

People would be understandably reluctant to accept ICA employment in view of the major restriction on their future employment and the slur on the agency. It would frustrate our ability to employ experts and consultants for short-term assignments.

The retroactive nature of the provision could force contractors to fire former ICA employees who entered into employment with them in good faith.

Lastly, the provision is unnecessary. Statutes and regulations in force, including section 512 of the Mutual Security Act, prohibit improper activity and prescribe harsh penalties for violations.

Furthermore, existing ICA regulations tightly control the relations between International Cooperation Administration employees and contractors which could lead to personal gain.

In conclusion, I ask you to reflect upon the probable results to U.S. interests, prestige, and security, and on the peace and progress of the free world if the appropriations for mutual security are reduced below the authorization level, which in itself has been reduced from the amount requested by the President.

I cannot present to you a chart or statement showing that for 10 percent less we will get 10 percent less security or peace.

The problems which we face are complex and do not lend themselves to such arithmetic analysis. We do know that aid below the requested level will result in measurable decline in economic or financial status in many places, in such forms as reduced imports, rising prices, and decline in reserves.

This type of deterioration, I can say with assurance will, if allowed to continue, culminate in economic or political instability, or both.

The salvaging of U.S. interests at time of such culmination will be, if it is possible at all, more expensive than if prudent minimum levels of assistance were continued.

I ask that you also reflect on the psychological effect of such severe reductions at this time.

## EFFECT OF COOPERATIVE INTERNATIONAL POLICIES

In the past year, a number of nations have evidenced a positive swing toward greater understanding of and respect for the policies and actions of this Nation. This trend may in minor part be attributed to reaction against actions by the Sino-Soviet bloc, but it clearly is in major part a result of our steadfast adherence to fundamental principles and of our consistent responsible exercise of cooperative international policies of which the mutual security program is one.

Chairman HAYDEN. The prepared statement of Mr. Riddleberger will be inserted in the record.

(The statement referred to follows:)

Mr. Chairman and members of the committee, I welcome this opportunity to appear before you for the first time in my capacity as the Director of the International Cooperation Administration to support those elements of the fiscal year 1960 mutual security program appropriations request which are the responsibility of ICA, including defense support, special assistance, technical cooperation and ICA administrative expenses.

## SUMMARY EVALUATION OF THE PROGRAM

The mutual security program and its predecessors represent, in my opinion, an effective tool in the attainment of our country's foreign policy objectives. I have personally observed and participated in this program in both the developed and underdeveloped parts of Europe for over 10 years and can confirm its success in Europe in terms of our foreign policy objectives. Without this program, not only would the map of Europe be very different today, but in my opinion we should have been compelled to expend for defense amounts exceeding the cost of these programs in Europe, and our overall defense posture would be far less secure than it is today.

It has helped the free countries of Europe to maintain a military posture which has significantly contributed to deterring or preventing Communist expansion by force of arms. NATO and our complex of strategic bases in Spain are a direct consequence of this program.

Without this program the Communist rebels would have taken over Greece. It is almost impossible to reconstruct in our minds today the apparently hopeless position of the free forces in Greece in the late 1940's when their authority in Athens itself extended only over a few blocks.

It has helped the free countries of Europe to meet an imminent internal threat to their independence arising out of their economic collapse. It is doubtful that either France or Italy would be free countries today in the absence of this program.

Economic assistance has made it more feasible for at least one satellite country to break its ties with Moscow. Yugoslavia is a case where aid has helped to make the bloc smaller and diminished its central totalitarian character.

Economic assistance under this program has directly benefitted the trade and commerce and thereby the livelihood of the whole free world. The economic recovery of Western Europe has been a major boon to all free nations.

Also noteworthy is the fact that today Turkey, Greece, India, and others are receiving substantial help from the European countries which, 10 short years ago, were themselves at the edge of economic chaos.

These accomplishments which I have personally observed in Europe frequently tend to be forgotten in the context of the administrative problems we are confronted with in this program; problems which have become far more difficult as the program has centered increasingly on the lesser developed nations of the world.

It is possibly in this area that our foreign aid programs have received their greatest criticism in recent years. In part, this criticism has been unjustified and results from failure to recognize that where a major program is carried out in a seriously underdeveloped country, the problems of administration are infinitely more difficult than those faced in Europe. Circumstances may require, or foreign policy reasons may demand, that we administer an assistance

program in a country whose economy is disrupted, or whose political system is weak, or whose finances are chaotic, or whose public ethical standards differ from those who are accustomed to. Often these very shortcomings are the fundamental reasons which compel special assistance or defense support. There have been difficult problems in inducing American personnel to take up service in some of these countries, for reasons which are fairly apparent in view of recent and present circumstances. In Korea, for some time, American technicians were not allowed to bring their wives and families because of inadequate housing and living conditions; in Vietnam frequent assassinations and terrorist activities continue, although on a reduced scale; Taiwan is still menaced by the constant threat of a renewed outbreak of hostilities; Afghanistan and Laos are extremely isolated countries with very difficult living conditions. The major programs in such countries cannot be accomplished overnight and are fraught with many problems and many dangers.

However, with the benefit of hindsight, it is now apparent that the United States could have coped with some of these administrative problems more effectively than it did. Progress is being made in the field of administration but more remains to be done, and I intend to make a major effort in this field. Language training, personnel recruitment and inservice training, for example, have all been greatly stepped up. Internal audits and evaluations of programs have been increased. A career system for specialists in the overseas economic assistance programs is being established.

#### CONGRESSIONAL RELATIONS

This is my first opportunity to play a major role in supporting the mutual security program before the Congress. I look forward to a continued constructive association. In this association I hope to be guided by two principles—candor and cooperation.

Within my powers, I shall not withhold facts no matter how damaging they may be. I shall assume personal responsibility for all decisions which I make, but I shall treat as privileged the judgments and recommendations of my staff which were considered in reaching my decisions. Honest differences of opinion are the price of an independent and imaginative staff.

We welcome the opportunity to explain the program and to discuss controversial points with you fully, at all times of the year. But I venture to hope that cooperation, by definition, is a two-way matter. I take this opportunity to protest against section 113 of the House appropriation bill. The questions of relationships, disclosure and privilege are extremely important and fundamental. In my judgment, however, they do not lend themselves to a mechanical solution such as is contained in the House bill. I strongly recommend that the Senate oppose this provision.

#### REQUEST FOR APPROPRIATIONS

I should like to turn now to a discussion of the President's request for appropriations for the defense support, technical cooperation and special assistance programs administered by the International Cooperation Administration. The President requested authorization and appropriation for these programs totaling \$1,286.3 million. In the authorization process these programs were reduced by \$108.3 million.

The House has now reduced them further by \$128 million, offset in part by reappropriation of approximately \$5 million in unobligated balances. The total effect so far has been to reduce these programs by over \$231 million, or approximately 18 percent. In addition, the request for ICA administrative expenses, authorized at the full \$39.5 million requested by the President, has been reduced by \$2.5 million to \$37 million.

There is no question but that these reductions by the House are of such magnitude as to weaken unduly one of our principal instruments for foreign policy.

The cuts made by the House in defense support and special assistance are so extreme that they are, as the President said on July 24 with respect to the total of the cuts proposed by the House, deeply below the minimum considered necessary for the security of the United States and the free world. The reduction of approximately one-sixth in funds requested for technical cooperation will have some immediate adverse consequences in fiscal year 1960, principally in Africa and Latin America, but the major adverse effect will be felt in future years since the lack of human skills and the institutional deficiencies of the underdeveloped countries represent even more of an obstacle to the progress of

the underdeveloped countries than the lack of capital. The cut in the funds requested for administrative expenses can only result in less efficient use of much larger amounts of program funds.

#### DEFENSE SUPPORT

The House bill contains a defense support appropriation for fiscal year 1960 of only \$700 million. This compares with the congressional authorization of \$751 million. In fiscal year 1950 Congress authorized \$810 million and appropriated \$750 million. But actual obligations totaled \$808 million, requiring the use of \$58 million from the contingency fund.

The House appropriation for fiscal year 1960 is below the minimum required for a vigorous, positive program in support of U.S. objectives. Seven hundred million dollars will only buy an inadequate stopgap program and would involve serious risks to our national security.

Defense support is an indispensable ingredient of U.S. security. It provides economic aid to 12 nations with significant military forces beyond their capacity to support unaided. Eleven of the twelve are found on the perimeter of the Sino-Soviet bloc, and their forces provide a valuable deterrent to aggression and a means of effective defense involving less risk of spreading the war than if U.S. forces were used. The 12th, Spain, provides important air and naval bases to the United States.

The Communist threat has increased in intensity and versatility. The Soviet bloc will certainly probe and exploit any suspected weakness in the free world defenses. While its efforts and skill at economic penetration have increased, there is no evidence that the military threat has in any way diminished. In fact, there is considerable evidence to the contrary during the past 12 months.

In the Far East during this period of time the Red Chinese have fiercely attacked the offshore islands and pressed their claim as the legitimate government of China. The Communist Viet-Minh have maintained an insidious campaign of infiltration and terror in Vietnam which, during the past 12 months alone, has taken the lives of two Americans and of hundreds of Vietnamese. Laos, a weak nation with over 600 miles of common border with the Communist bloc, is at this very moment defending itself against Communist rebel forces.

Turning to the Near East, we see the Communists exploiting economic weakness and fear of retaliation in an attempt to weaken Greece's vital contribution to NATO. Iran, although recently rejecting a Soviet bilateral security offer, is under continual Communist pressure and faces an added threat from the political instability in Iraq, where the Communists have been extremely active during the past year.

Without adequate defense support—both as a direct source of military strength and as a tangible symbol of continued U.S. support—the task of resisting inexorable Communist pressure will be magnified.

But defense support does more than contribute to a defense against military threats. It contributes to a firm economic and political base in 12 relatively weak, and in many cases new, nations beset by a variety of overwhelming problems. Without political and economic stability, military forces become a delusion and a facade. Such a situation is ready-made for Communist victory by default, without a shot being fired. Four examples of the role of defense support in this respect are worth citing.

1. Pakistan, with a new and, in many respects, promising government and heavy military obligations, is in an extremely precarious economic situation. A rapidly growing population, declining markets for its exports, dangerously depleted foreign exchange reserves, and idle factories and manpower characterize a country on the margin of privation. This situation allows very little flexibility in U.S. aid levels. Defense support is the margin of economic survival.

2. Korea, with an army two-thirds the size of the U.S. Army, and with limited natural resources, must struggle to maintain economic stability and to increase production and employment apace with its growing population at a time when the North Koreans are continuing their military buildup.

3. Turkey has recently undertaken a broad stabilization program designed to revitalize its economy. Defense support has made a major contribution to that effort. Sharp reductions would jeopardize the stabilization program, delay disproportionately Turkey's prospects for ultimate self-sufficiency, and raise doubts about U.S. interest in Turkey's long-run economic growth.

4. Cambodia is a major Communist target for economic penetration. Grant aid and attractive trade proposals are favored techniques. To date, Cambodia

has resisted Communist inroads into the military establishment and other vital organs of government. Any lessening of free world support might make it increasingly difficult for this Nation to resist the pressure.

Even though defense support is an indispensable ingredient of military strength, it does not follow that reductions in military assistance—assuming for the minute that they were desirable—would justify reductions in defense support. Defense support requirements bear no precise relationship to the size of the military assistance program in the 12 recipient countries. And cuts in military assistance will not necessarily lead to reductions in country military budgets or force levels which are basic determinants of defense support requirements.

It may be possible to accommodate defense support reductions in part by deferring requirements. Inventories and foreign exchange reserves can be drawn down below the danger point, deficit financing can be used to meet military budget requirements, and the defense support pipeline can be depleted below safety levels. Such measures, however, only delay progress toward greater self-sufficiency and retard the objective of eventually shifting the burden of the support of these forces from the United States. I therefore urge the appropriation of the full \$751 million which is authorized.

#### BILATERAL TECHNICAL COOPERATION

The executive branch has requested, and the Congress has authorized, \$179.5 million for bilateral technical cooperation in fiscal year 1960. The House bill contains only \$150 million for this purpose, the same amount as was authorized and appropriated for fiscal year 1959.

This reduction, in a small but highly effective program, strikes me as shortsighted. The magnitude of the need which the program is designed to meet and the opportunity it provides for America to strike a telling blow against ignorance and disease call for vision not for parsimony.

Motivated by both humanitarianism and enlightened self-interest, technical cooperation is one of the most effective overseas programs ever initiated by the United States. It brings political and psychological, as well as economic, benefits. It is a means of uniting Americans and the people of the lesser developed nations in a common attack on problems of economic growth, education, health and human dignity. In proportion to its costs, the returns are great.

The effects of this cut of nearly one-sixth of the proposed program for fiscal year 1960 will be felt in many of the underdeveloped nations of the free world.

Technical cooperation has played a major role in our foreign policy in the Western Hemisphere. The executive branch has proposed a 25 percent expansion in Latin American technical cooperation. While this expansion is large in terms of percentage, the money required (\$9 million) is not large and the policy reasons for the expansions are demanding. It makes no sense to provide for expanded capital flow to our neighbors through the DLF, IRBD, the new Inter-American Bank and the Export-Import Bank if we do not at the same time enable a development of the human and institutional resources to absorb and utilize effectively this capital flow.

The worldwide increase requested for fiscal year 1960 would have allowed close to a 50 percent expansion for Africa for only \$6.3 million. The Senate Committee on Foreign Relations welcomed the increased activity in Africa. The continent of Africa, witnessing a succession of newly independent nations, and the awakening of political freedoms and ambitions, will become a major battleground for men's minds. Ghana, Guinea, and Tunisia have already changed the map, with Nigeria, Somalia and others soon to follow. Rich in human energy and natural resources, but deficient in the skills required for effective government and technical progress, it is imperative that the United States share its knowledge with these eager and promising peoples. The Communists will not fail to exploit any opportunities we thrust upon them. The cost is low and the stakes are high. In Asia, the increases requested are relatively small. In countries supporting large military forces, technical cooperation is a means of stimulating economic development and self-sufficiency, thus decreasing the long-run cost to the United States.

The House bill has not only cut the funds available for technical cooperation, but the House Appropriations Committee stated that both the number and individual cost of training for each participant in the program be reduced. The President's appropriation request would have financed the training of 10,500 foreign technicians, an increase of 10 percent from 1959. In my view this is one of the most effective elements in the technical cooperation program. It not only



provides much needed technical skills, but also exposes potential leaders to the American way of life. Frankly, I cannot understand the reason underlying the statement by the House Appropriations Committee. It is inconsistent with the findings of the Committee on Foreign Affairs which stated, "The participant training program has been augmented with emphasis on English language training facilities in the less-developed countries and on supporting services both in the United States and abroad." The committee is pleased with the progress made." Moreover, Congress appropriated \$8 million for 1959 to allow, in part, a more effective participant program. I strongly recommend that the Senate oppose this provision.

In fiscal year 1959 well over 99 percent of the funds available for the general purposes of technical cooperation was effectively obligated and the base was laid for a substantial expansion of this program in fiscal year 1960. There was a balance of some \$3 million remaining out of the \$8 million specially authorized by Congress for strengthening the training and personnel aspects of the program which the executive branch did not use for other technical cooperation purposes—even though the need existed—because of the special purpose for which it was made available by Congress.

Throughout fiscal year 1959 the proposed fiscal year 1960 technical cooperation program has been under review on the basis of experience to determine whether the proposed expansion could be effectively implemented, primarily in terms of recruitment of American technicians and training of foreign nationals. This review leaves us confident that an expanded program can be successfully implemented.

Restoration of \$25.6 million of the House reduction of \$29.5 million would, together with the carryover of the estimated \$3.9 million of prior year unobligated funds, provide the \$179.5 million requested by the President for fiscal year 1960. I sincerely hope this committee will decide to restore the amount indicated.

#### SPECIAL ASSISTANCE

The President requested \$272 million for special assistance. The authorization bill provides for \$247.5 million. The House bill contains only \$200 million, or \$72 million below the amount originally requested. The fiscal year 1959 appropriation for special assistance was \$200 million, but actual obligations were \$278.2 million, which made necessary the use of the President's contingency fund and other sources totaling \$78.2 million.

This special assistance has taken by far the sharpest reduction of all. Special assistance is a flexible, multipurpose tool which is programed to counter Soviet thrusts, to prevent political and economic collapse, to combat disease, and to achieve specific U.S. policy or objectives. Cuts weaken the President's capability and hand the Communists opportunities to exploit exposed and weak nations.

Special assistance programs can be classified into three groups: (1) those which, for good and sufficient reasons, must be increased over last year's level; (2) those which are relatively inflexible; and (3) those which would have to bear the brunt of the reduction of funds available for special assistance.

#### *Programs requiring increases*

The malaria-eradication program is both an important humanitarian program and a most important economic program. If eradication is to be achieved, funds provided this year must be in greater magnitude than last year. Last year \$25 million was provided, and this year \$35 million is required. This increase is required if the momentum of this program is not to be lost. If this activity does not accelerate as planned from a technical point of view, there is danger that the advances made to date would be lost, jeopardizing much of the U.S. investment made.

At the meeting of the Baghdad Pact nations in January 1958 Secretary Dulles committed the United States to providing up to \$10 million for a vital telecommunications link between the capitals of the Middle Eastern members of the pact. It is anticipated that, although no funds were required last year, at least \$5 million will have to be provided for fiscal year 1960.

The United Nations Emergency Force requires a voluntary U.S. contribution of \$3.5 million for this year. This force is essential for security in the Suez area, and there is no reasonable alternative to U.S. support of this U.N. force.

#### *Programs which are relatively inflexible*

There are several programs which because of political commitments or the specific nature of the U.S. interests are either fixed or relatively inflexible.

Two examples can be given:

1. *Libya*.—The special U.S. interests in Libya involve the continued operation of U.S. military installations and the maintenance of Libyan pro-Western orientation in this critical African area.

2. *Jordan*.—The preservation of the independence and political integrity of Jordan is essential to peace and stability in the Middle East and thus is vital to U.S. interests. Failure to maintain conditions of stability in Jordan would have repercussions throughout the area. In view of its limited resources, the government cannot even maintain normal government expenditures much less maintain present military forces and carry forward an economic development program, without major external assistance.

*Programs that would suffer reduction under the proposed cut in special assistance*

The programs that must be increased (malaria eradication, Baghdad pact, and United Nations Emergency Force) and the relatively inflexible programs were proposed for \$154.5 million in fiscal year 1960. No significant reductions are possible within this amount. Therefore, the House appropriation level only leaves the difference between this \$154.5 million and \$200 million, namely, \$45.5 million to carry out all of the remaining special assistance programs. Among the principal remaining programs to be financed at this recommended level of appropriation are the following 13 programs: Berlin, Bolivia, Yugoslavia, Indonesia, Sudan, Nepal, Ethiopia, Liberia, Tunisia, Somalia, Afghanistan, Haiti, and the American schools. Last year, these same 13 programs utilized \$105.8 million, as compared with the \$45.5 million available to them if the present proposed appropriation level of \$200 million stands. Thus, cutting this appropriation to \$200 million of necessity means cutting the total from special assistance for these programs by more than 50 percent.

These 13 programs to which the recommended slicing of the special assistance appropriation would apply are:

1. *Berlin*.—It is imperative at this juncture to maintain our support for this island of freedom.

2. *Nepal*.—In view of the heavy competition with the Soviet and Chinese Communists in this country, it would be politically dangerous to reduce the program, small as it is.

3. *Ethiopia*.—The Soviet Union has recently granted Ethiopia a \$100 million line of credit. Now is no time for retrenchment in this program, small as it is.

4. *Somalia*.—This program, which last year was less than \$1 million, provides little opportunity for saving in money; and, in fact, moderate increases are required as this territory prepares itself for independence in 1960.

5. *Indonesia*.—The situation in Indonesia, where the battle for men's minds is in delicate balance, calls for stability in U.S. policy.

6. *Bolivia*.—We are all aware that the situation in Bolivia is most dangerous; our support of that country remains a critical necessity from an overall hemispheric point of view.

7. *Yugoslavia*.—Our assistance is a part of our support of this country's independence from the Soviet bloc.

8. *Tunisia*.—Our program is required to secure our mutual economic objectives and to maintain the strong Western orientation of this newly independent Arab nation.

9. *Aid to American schools*.—This valuable program received \$4.25 million last year, and a similar amount should be provided to continue the effort already underway.

Similar dangers exist in cutting the other four programs (Liberia, Afghanistan, Sudan, and Haiti). Some savings may be possible, but can we save 50 percent and still protect the interests of the United States?

Moreover, no money will be available for several new programs unless the total for these 13 programs is cut by more than 50 percent. These new programs of community water supply, international medical research, and investment incentive represent new approaches to old problems, the solutions of which are most important from the U.S. point of view.

Here again I urge the appropriation of the full amount of \$247.5 million authorized.

*Investment incentive fund program*

The executive branch request for special assistance funds included \$5 million for projects and programs to encourage local and foreign private investment in the developing countries.

However, the House Appropriations Committee report on the Mutual Security Appropriations Act, 1960, states:

The committee has specifically denied the \$5 million requested for the investment incentive fund program. ICA for years has financed many projects to encourage local and foreign private investment within regular country programs.

The request of \$5 million for the investment incentive fund was designed to give new and greater emphasis to building up the private sector of less developed countries. The fund would permit the U.S. Government to move quickly on emerging investment opportunities and to test new techniques for the countries themselves to build on in future years.

Despite the interpretation of the House Appropriations Committee, this is not—I repeat not—a program to increase the demand for U.S. Government aid. It is precisely the opposite. It is a program to stimulate local private capital and to increase the opportunities for foreign private and local capital to do the jobs which public aid is increasingly being called on to do.

In many countries there is a discernible willingness on the part of the governments to exert greater efforts to encourage private investment. The United States should encourage these attitudes which have contributed so much to our strength as a Nation.

The language in the House report, if followed as a congressional directive, would—

(a) seriously cripple the ability of the U.S. Government to implement the Strauss report recommendations prepared in response to section 413(c) of the Mutual Security Act;

(b) create confusion, in the minds of the peoples and governments of the developing countries as to the priority the U.S. Government places on private enterprise.

I urge that the Senate Appropriations Committee oppose the House directive and make a positive reference to the intended use of available special assistance funds specifically for the private investment program.

#### ADMINISTRATIVE EXPENSES

I am somewhat mystified by the action of the House Appropriations Committee and the House in reducing the amount of administrative expenses from \$39.5 to \$37 million.

Obligations during fiscal year 1959 exceeded \$36 million as compared to the appropriation of \$33 million for this purpose for fiscal year 1959. The appropriation had to be supplemented to meet the costs of the pay raise voted by the Congress for all employees and also to finance certain improvements in the personnel and training systems of ICA which were sponsored initially by the action of the House in adding \$8 million to the authorization for technical cooperation for fiscal year 1959, which action was later endorsed by the Senate in the authorization bill and by both Houses in the appropriation bill. Parts of the costs involved in improving these systems are chargeable normally to administrative expenses and the 1959 appropriation was supplemented in the amount of \$1,050,000 by the transfer from the technical cooperation account. The effort undertaken to meet the congressional mandate during fiscal year 1959 will, of course, cost more than \$1,050,000 during fiscal year 1960. Many of the personnel involved could not be hired until some period after the legislation was enacted and the cost of maintaining them on the payroll for the full fiscal year rather than the partial fiscal year explains this increase in part. Approximately \$1.7 million of the increase requested for fiscal year 1960 is for full year salary costs and related expenses of positions for which only part year funding was provided for in fiscal year 1959. If the action of the House on this item is sustained, we will be faced with the serious dilemma of having inaugurated improved personnel and training programs and yet be deprived of the funds necessary to finance such programs.

Approximately \$1 million of the fiscal year 1960 increase is for personnel and related costs to strengthen field missions in Africa and Latin America. It is proposed to add 38 Americans and 194 foreign nationals to these missions, with 29 of these Americans and 75 foreign nationals to be assigned to the newly developing programs in Africa.

No increase is being requested in Washington employment above that authorized in fiscal year 1959.

I urge most strongly, therefore, that the committee give favorable consideration to restoring \$2,375,000 to this appropriation which, together with reappropriated unobligated prior year funds estimated at \$125,000 would provide the full \$39,500,000 requested.

#### OTHER RESTRICTIVE PROVISIONS

Lastly, I should like to record my strong opposition to two provisions of the House appropriation bill which, if retained by the Congress, would hamstring ICA in its administration of the program.

The House bill prohibits the use of defense support, special assistance, and the contingency fund for projects which have not met the feasibility standards prescribed by the Budget Bureau for U.S. flood control, reclamation, and related resource programs.

ICA endorses the principle that its projects be evaluated from the standpoint of economic and technical feasibility. We consider section 517 of the Mutual Security Act, enacted last year, to be a highly constructive provision. It requires engineering studies and firm cost estimates on all projects of over \$100,000. ICA is carefully implementing this provision and in our judgment it fully assures that projects are evaluated before undertaken.

We oppose the new provision of the House bill, not only because it is unnecessary but because the Budget Bureau standards for U.S. projects are not suited to the conditions in underdeveloped countries, or to the requirements of foreign policy. First, the Budget Bureau standards apply only to water and land resource projects while ICA's projects range from small loan funds to commodity imports. Second, the application of the Budget Bureau's criteria depends upon the availability of reliable statistics which are not generally available in underdeveloped areas. Third, many ICA projects, for example in the fields of education, health, or public administration, do not lend themselves to economic assessment. Lastly, the ICA programs involve a wide range of political and economic objectives. It is impossible to translate foreign policy and national security benefits into dollars and cents. It is necessary to use judgment, not prescribed criteria, in determining the considerations and their relative weights to be used in assessing the benefit of a project.

The second provision of the House bill to which I object most strongly prohibits the use of mutual security funds for contracting with any person or company who provides compensation to any person who has left ICA within 2 years of the date of employment with such person or company.

This provision singles out the employees of one U.S. Government agency for a harsh and inequitable penalty and will make it virtually impossible to recruit top staff in the future since their employment possibilities upon leaving ICA will be greatly restricted.

The provision would affect a wide segment of the U.S. business community, including commodity suppliers, as well as the more than 50 educational institutions under contract with ICA. Thus, it sharply curtails the private employment opportunities of ICA's present and prospective employees, including consultants. It would apply to all, including those with years of honorable service without a blemish on their records.

The provision would not only affect present employees but would also seriously hamper recruitment. People would be understandably reluctant to accept ICA employment in view of the major restriction on their future employment and the slur on the agency. It would frustrate our ability to employ experts and consultants for short-term assignments.

The retroactive nature of the provision could force contractors to fire former ICA employees who entered into employment with them in good faith.

Lastly, the provision is unnecessary. Statutes and regulations in force, including section 512 of the Mutual Security Act, prohibit improper activity and prescribe harsh penalties for violations. Furthermore, existing ICA regulations tightly control the relations between ICA employees and contractors which could lead to personal gain.

#### CONCLUSION

In conclusion, I ask you to reflect upon the probable results to U.S. interests, prestige and security and on the peace and progress of the free world if the appropriations for mutual security are reduced below the authorization level, which in itself had been reduced from the amount requested by the President. I cannot present to you a chart or statement showing that for 10 percent less we will get 10 percent less security or peace. The problems which we face are com-

plex and do not lend themselves to such arithmetic analysis. We do know that aid below the requested level will result in measurable decline in economic or financial status in many places, in such forms as reduced imports, rising prices, and decline in reserves. This type of deterioration, I can say with assurance, will, if allowed to continue, culminate in economic or political instability or both. The salvaging of U.S. interests at time of such culmination will be, if it is possible at all, more expensive than if prudent, minimum levels of assistance were continued.

I ask that you also reflect on the psychological effect of such severe reductions at this time. In the past year, a number of nations have evidenced a positive swing toward greater understanding of and respect for the policies and actions of this Nation. This trend may in minor part be attributed to reaction against actions by the Sino-Soviet bloc, but it clearly is in major part a result of our steadfast adherence to fundamental principles and of our consistent, responsible exercise of cooperative international policies of which the mutual security program is one.

#### COMMITMENTS MADE BY SECRETARY DULLES

Chairman HAYDEN. Senator Chavez, do you have any questions?

Senator CHAVEZ. I would like to ask this question, Mr. Chairman:

Now, Mr. Riddleberger, we have been appropriating this type of money for years and years. You stated in the early part of your statement about certain commitments made by Secretary Dulles. We who have passed judgment on the American taxpayer's dollars are supposed to follow those commitments which he has made.

Mr. RIDDLEBERGER. Senator, in response to that question, I think the customary phrase in making such commitments is, subject to congressional appropriation.

I believe that is almost invariably inserted.

Senator CHAVEZ. I did want it strictly understood that while in many instances we would like to do lots of things in the way of commitments made by the State Department, which properly does make those commitments, still, we have a responsibility to the ones who pay those dollars in taxes.

#### SITUATION IN GREECE

Now, you are talking about Greece and Spain mainly. What is the situation in Greece and Spain with reference to this type of aid that you are now suggesting? Give us a little more elaboration.

Mr. RIDDLEBERGER. I shall be happy to do so.

If I may, I will talk of Greece first. It so happens that I am more personally familiar with that since I have just come from Athens.

Greece perhaps is an admirable example of the necessity of what I believe we call in technical language defense support.

In looking back over the past 10 years, I suppose that no country went through such devastation and, indeed, desolation, as did Greece. In effect, the war in Greece lasted longer than in any other European country, commencing with the Italian invasion in 1940 and continuing with the German invasion, the occupation, the liberation, and eventually the civil war, the Communist war.

Therefore, when, under the Truman doctrine, we moved into Greece the conditions were chaotic.

I remember many years ago hearing opinions that the situation in Greece was hopeless.

It seems to me today if there is one excellent commentary on the effects of our aid programs, it is in fact, Greece. Today Greece is restored to normal in the sense of normalcy in a Balkan country.

## BENEFIT TO PEOPLE OF GREECE

Senator CHAVEZ. Outside of the government itself, what about the people of Greece? Are they getting any actual benefit?

Mr. RIDDLEBERGER. They are indeed. I think if one had seen the conditions in Greece between 10 years ago as compared with today, one would be enormously struck by the improvement.

However, Greece does carry a very heavy military burden. Greece has on her northern frontier Bulgaria, a satellite country.

On the northwestern frontier, Albania. Both are satellite countries. Therefore, the Soviet and satellite pressure on Greece is very heavy.

Greece carries a military burden that is very onerous indeed in comparison to the resources of the country.

## TRADE BALANCE

Roughly speaking, today Greece imports about twice the amount of its exports and the balance is made up of four elements: Tourism, remittances, shipping, and American aid.

And any great change in any one of these four elements, of course, would affect the stability which has been accomplished.

But, Senator, in spite of the enormous devastation of the war and the Communist conflict in Greece, the aid to Greece has been steadily reduced. Last year I think the total amount of the defense support was \$30 or \$32 million.

I think 10 years ago one would have said this is impossible of accomplishment. Yet today the agriculture is restored; the food situation is practically normal; the transport is again back to what it was, and life has resumed its normal tenor. They have their problems; they are a small nation.

## SITUATION IN SPAIN

Senator CHAVEZ. Thank you.

Tell us a little about Spain. What good are we getting out of our aid to Spain outside of the air bases?

Mr. RIDDLEBERGER. It seems to be, Senator, in the case of Spain, that we have a geographical situation that in effect may be comparable in some respects to that of Greece.

I think the whole question of the defense of the Mediterranean area enhances the importance of both Spain and Greece.

Senator CHAVEZ. I appreciate the importance of Spain as far as our bases and our military installations, but this so-called aid that we give over there, how about the Spanish people? Are they getting any good out of it, or are they still wanting?

Mr. RIDDLEBERGER. Senator, I have not been in Spain personally for some years, but I recall the conditions there at the end of the war and it seems to me that every indication is that the material condition of the Spanish people in comparison with what existed, let us say, at the end of the war, is infinitely better.

So I would say they are getting something and I think there is, let us say, a slow progress in the field of general economic development.

Senator CHAVEZ. Thank you, sir.

## FUNDS APPROPRIATED FOR GREECE

Senator BYRD. Talking about Greece, Mr. Riddleberger, what appropriation did you say we gave to Greece for defense support last year?

Mr. RIDDLEBERGER. I was giving an approximate figure, Senator.

Senator BYRD. I think you said \$30 to \$32 million.

Mr. RIDDLEBERGER. Yes.

Senator BYRD. The book here says \$20 million.

Mr. RIDDLEBERGER. That was defense support only. I was giving the total figure.

Senator BYRD. Defense support, plus what?

Mr. RIDDLEBERGER. Defense support and technical cooperation plus common use items which were then financed under military assistance.

Senator DWORSHAK. We gave Greece quite a sizable amount for military assistance?

Mr. RIDDLEBERGER. Yes, sir. I was only addressing myself to economic assistance, Senator.

Senator DWORSHAK. I do not know whether it is classified, but it is not shaded. Is that information on page 40 classified, or not? The last two columns are not shaded?

Mr. SACCIO. They are not classified.

Senator DWORSHAK. They are not?

Mr. SACCIO. No, sir.

Senator DWORSHAK. What is the significance of those figures for Greece? Can you tell us? I do not want to belabor the point, Mr. Chairman, but as long as we are talking about Greece, I would like the record to be completed.

Mr. RIDDLEBERGER. Certainly, Senator, I will be happy to explain the reasons for this assistance.

Senator DWORSHAK. Just for Greece.

## MILITARY IMPORTANCE OF GREECE

Mr. RIDDLEBERGER. I am sorry that we do not have a map here. I think if we look at the eastern Mediterranean the strategic and military importance of Greece is at once apparent.

Senator DWORSHAK. I know that, but you made a statement that you thought that Greece had made such splendid progress that currently we were giving that country only about \$30 million.

Can you not at this point tell us what we give Greece in any other category in the way of additional funds?

Mr. RIDDLEBERGER. Yes, Senator, certainly.

Senator DWORSHAK. That is all I want.

Senator ELLENDER. Mr. Chairman, while we are talking about Greece, I just want to cover this point:

I happened to be in Greece in 1956 and I was informed by the ICA people there that we would curtail all defense support, and, as a matter of fact, I do not recall that there was any defense support in 1956.

As I recall Greece was receiving aid under Public Law 480 only for 1956.

Why? Because of the wonderful progress which had been made. I can testify to that as you have, Mr. Riddleberger. I have never visited a country anywhere in Europe which has made the progress

that Greece has made and I understand that progress from 1956 up to now has been continuing at a steady pace.

Now, contrary to the information I received in 1956, that we would eliminate defense support, the record shows that in 1958 you provided \$15 million; in 1959, \$20 million; and in 1960, you have programmed——.

So, Mr. Riddleberger, when you say we are decreasing it you are in error;——.

MR. RIDDLEBERGER. I was referring to the total amount of aid we have been giving to Greece.

Senator ELLENDER. Not in the past, but you were supposed to cut it out entirely. That is the information I received from your own people back in 1956. It is recorded in my notes, and in my report.

MR. RIDDLEBERGER. I must tell you very frankly that I was not aware that it was contemplated to cut defense support entirely in Greece. I am aware that Public Law 480 assistance has been materially reduced, in fact, so much so, I believe there was no Public Law 480 program there last year because the food situation improved.

But I was not aware that it was intended to eliminate entirely defense support.

Senator ELLENDER. Mr. Riddleberger, you were not in Greece at the time of my visit. You had referred me to the administrator there——.

MR. RIDDLEBERGER. I was still in Yugoslavia.

Senator ELLENDER. Yes, I understand.

It was my information that the only aid we would furnish Greece from 1956 on would be Public Law 480.

As I recall, we were then contemplating a transaction involving \$45 million.

Mr. Chairman, I would like to correct that figure after I consult my notes.

#### BASIS FOR ADDITIONAL SUM IN GREECE

It is my understanding, Mr. Riddleberger, that the real basis for this defense support for fiscal year 1960 is purely political. It is pointed out in the justifications that Greece expects—— economic assistance to compensate in part for the defense contribution which it believes to be greater in terms of resources available than that of most of the NATO countries.

That is the reason you intend to make this grant. Greece feels that the 5.3 percent of the gross national product is the maximum she can afford to spend on defense at the present time.

#### TAX STRUCTURE

We are spending over 10 percent of ours. Why should not Greece, as prosperous as you say she is now, increase this 5.3 percent? Why does not Greece, and I got it from your own people, why does not Greece impose the proper taxes on the rich men who are making much money on our aid programs in Greece?

You will agree that the tax structure in Greece is terrible.

MR. RIDDLEBERGER. It has been improved, Senator.



Senator ELLENDER. How much?

Mr. RIDDLEBERGER. I do not regard it a lot, but it has been improved.

Senator ELLENDER. Shipping in Greece is back to normal as you have just said. Agriculture is better than it has ever been.

In answer to a question previously propounded you stated that defense support was decreasing.

On the contrary, we are giving Greece in defense support for this fiscal year ———, notwithstanding their prosperity.

Mr. RIDDLEBERGER. I think I said, Senator, that the overall aid to Greece had been diminishing in recent years. I think that statement is correct.

#### GREEK CONTRIBUTION TO DEFENSE

To reply specifically to your observation, I would like to point out that the record of Greece in the field of defense is indeed one that I think compares favorably with other NATO countries in a comparable economic situation.

Given what you might call the per capita national income, I should be inclined to think that the Greek contribution to defense was indeed very favorable to Greece.

Senator ELLENDER. Mr. Riddleberger, I would like to refer you to page 41 of the justifications in the green book; it did decrease from 1958 to 1959, it is true. But in 1960 you have it up to more than it was in 1958.

In other words, in 1958 with military assistance and technical cooperation the overall was ———; in 1959, it was decreased to ———.

Now you have it ———. So that your statement that it has been decreased, I beg to say, is in error.

#### PUBLIC LAW 480 PROGRAM

Mr. RIDDLEBERGER. Senator, it may be in error if we take only the figures that are given in this book. But if I recall correctly, I think that before last fiscal year there was a substantial Public Law 480 program for Greece, as well.

Senator ELLENDER. That is the one I was talking about, back in 1956?

Mr. RIDDLEBERGER. That is right.

Senator ELLENDER. I think you had a \$45 million program, was it not; something like that?

Mr. MURPHY. It is in that order.

Senator ELLENDER. Is my memory correct?

Mr. MURPHY. Yes.

Senator ELLENDER. \$45 million; that is my recollection.

I was told then by the people in charge that defense support would end then but that we would continue Public Law 480, to sustain the army.

But here we are, we are going back in to grant aid to Greece on a scale bigger than ever.

Mr. RIDDLEBERGER. I think, Senator, you are referring to military as well as economic aid.

Senator ELLENDER. All of it. We have given Greece billions of dollars, as you know.

Mr. RIDDLEBERGER. The total is very high.

Senator ELLENDER. I know it is. That is why she is so prosperous. When I got to Athens and saw the beautiful buildings going up and the rich people who are there not paying taxes as they should, it made my blood boil. That is the situation there now.

#### GREEK SHIPPING PICTURE

Senator CHAVEZ. Mr. Riddleberger, there is one complaint I have heard about the tax structure. The Greeks are great shipping people. They know the sea, but practically everyone of their boats has a Panama flag and do not pay taxes in Greece.

Still, because of that, we have to appropriate money in order to make up for it.

Mr. RIDDLEBERGER. Senator Chavez, what you say, I am afraid has only a minor justification in fact. The Greek shipping picture is a very complicated one. A number of shipowners who control the tonnage, of course, are not Greeks in the sense of being citizens of Greece.

Some of the larger shipowners, of course, were not even born in Greece. A number of them I think were born in Anatolia and then their families were left after the Smyrna disaster in 1922.

I think I am correct in saying that the Greek shipping tonnage today is probably 11th in the world and if there were returned to the Greek flag all of the tonnage that is controlled by persons whom I shall say are ethnic Greeks, not necessarily Greek citizens, I believe Greece would probably go up to about fourth in tonnage.

Of course, the Greek Government has a natural inclination to desire that this tonnage—I cannot say be returned to the Greek flag, but be brought under the Greek flag.

However, it operates under certain difficulties because it cannot force the shipowners to bring this tonnage under the Greek flag and simultaneously one of the most important sources of revenue and particularly for the poorer parts of Greece, such as the islands, take the form of remittances from the seamen to their families.

This, in effect, often provides the livelihood for a number of poor regions of Greece.

Now, Senator, this whole shipping question is something that perhaps we cannot resolve here. I do not know of any way of forcing citizens to bring their tonnage back.

Senator CHAVEZ. But it is a factor that involves the Greek economy.

Mr. RIDDLEBERGER. It does indeed, and today it represents a net gain for the Greek economy because of the money that is remitted to the families, largely by the seamen.

In respect to the direct income from shipping, I think what Senator Ellender said is also true, there was an increase, Senator, primarily during the time of the Suez crisis.

Subsequent to that time, my recollection is that the revenues from the Greek flag shipping has been decreasing. I do not recall the exact figure.

Senator ELLENDER. The main points I wanted to make related to the prosperity and the failure of the Greek Government to collect taxes from the wealthy.

## DEFENSE SUPPORT AREAS IN GREECE

Let me put in the record at this point, and if I am wrong, correct me, from this ——— defense support is going to be used:

——— nonsurplus agricultural commodities;

——— raw materials and fuels, sending that to a very prosperous country;

——— machinery and equipment;

And ——— industrial commodities.

That is ——— we are giving to Greece and which I understood would be curtailed beginning in 1956 and 1957.

Senator DWORSHAK. Will you yield at that point?

While we are talking about Greece, I would like to call the committee's attention to page 169 where there are listed the U.S. owned or controlled currencies relating to the mutual security program.

For Greece the figure is \$138 million of local currency.

I would like to ask, Mr. Riddleberger, what will be done with that?

Mr. RIDDLEBERGER. May I respond to both questions simultaneously?

## PROSPERITY IN GREECE

I would like to go back to Senator Ellender's observations about the prosperity of Greece. I think what I said was that the situation in Greece has enormously improved.

Senator ELLENDER. Do you think it was ever better than it is now?

Mr. RIDDLEBERGER. It has been restored to what I believe I described as a normal situation for a Balkan country.

Senator ELLENDER. Mr. Riddleberger, you have been in Greece for 10 years and you have known about Greece before.

Mr. RIDDLEBERGER. I have been there 1 year.

Senator ELLENDER. Have you ever seen Greece, or heard of Greece being more prosperous than she is now?

Mr. RIDDLEBERGER. Senator Ellender, we are talking about a country where the average per capita income is only \$336 a year.

Senator ELLENDER. Let us not compare that, because the cost of living there is not like ours. Do not compare ours with Greece.

Mr. RIDDLEBERGER. No, I was not doing that.

Senator ELLENDER. If you compare it with her neighbors, you will see that Greece is going ahead.

Mr. RIDDLEBERGER. Greece is going ahead; I agree, Senator.

Senator ELLENDER. Exactly.

## BLOCKED COUNTERPART FUNDS

Mr. RIDDLEBERGER. Coming back to Senator Dworshak's question, I think that relates, sir, to the whole question of the blocked counterpart funds which were in Greece, which amount to about \$120 million equivalent. The balance has already been programed and current counterpart is released as it is generated.

Senator DWORSHAK. Can they not be used for some constructive purpose?

Mr. RIDDLEBERGER. I suppose the blocked funds could be used, provided we were willing to risk recurrence of the inflation which we spent so much to bring under control.

Senator DWORSHAK. And relieving the dollar pressure?

Mr. RIDDLEBERGER. I am not so sure about relieving the dollar pressure, because that is the question of the dollar deficit in the balance of payment.

However, I realize the situation where they could be used internally as counterparts customarily are. Again, however, I must repeat that release of this additional claim on Greek resources would be dangerously inflationary.

The difficulty is this, Senator, that just after the Americans went into Greece, of course, a large number of supplies were poured in. It was considered from a fiscal point of view to be more prudent to block some of these counterpart funds rather than have them pushed out into the monetary supply.

#### FISCAL AND PRICE STABILITY

I think Senator Ellender will bear me out on this, that monetary inflation in Greece was endemic, and only after the arrival of the Americans and the injection of large amounts of aid was it possible to attain a measure, at least, of both fiscal and price stability.

In that respect I think it is indeed a tribute both to the American effort and to the Greek Government that this stability was attained.

Today I think the price rises in Greece have been, on the whole, very small, over the last few years, and the drachma is a currency which has the stability which I think it has not enjoyed in many decades.

#### SENATOR ELLENDER'S REPORT

Senator ELLENDER. Mr. Riddleberger, since I have referred to Greece I have been able to obtain a copy of my last report on Greece. Let me read two paragraphs from this report:

I was told that Greece was in a good condition and that never before had it been so prosperous.

Remember, that is in 1956.

I was also informed that no plans are in the offing for further aid to Greece from the United States except possibly from Public Law 480 funds.

That was your man talking to me.

A total of \$45 million in these funds has been requested.

That is the amount I used before. I do not know how I remembered that figure, but it stuck in my mind, \$45 million.

I was also informed that counterpart funds remaining cannot be spent because they only represent a paper transaction. I was told they had been frozen and they would never be used.

Is that correct?

Mr. RIDDLEBERGER. Senator, I think "never" is a long time.

Senator ELLENDER. Well, that is what I got from your people, your representatives there. I wish you would look at my report.

Mr. RIDDLEBERGER. I shall.

To come back and complete the answer to Senator Dworshak, which is indeed a reply to you, too, sir, I think there were good reasons for blocking this counterpart. It may be that if the present economic stability of Greece is maintained that these funds might eventually be programed.

Personally, although I was not there when this was done, I can well understand the reasons which led to this which I think from the fiscal point of view were an evidence of great prudence.

Senator ELLENDER. There is a lot of pressure being brought to bear, Mr. Riddleberger.

(Discussion off the record.)

Senator ELLENDER. Will you permit me to read a little further from my report?

Mr. Grismer was the USOM representative in Greece at the time. As I said a moment ago, he informed me specifically that no more aid would be available or would be needed for Greece except Public Law 480 and there was \$45 million in the offing.

I suggested that the pipeline be terminated at once since it appears that Greece is well able to take care of itself.

He agreed, but insisted that it would not be wise to cut it all out at one time.

Mr. Grismer told me that in his opinion the program of the future in Greece will be technical aid. There are now 23 Americans and 30 Greeks employed in this field.

He said that he hopes to close out all other programs soon and make our effort in Greece purely one of technical assistance.

Now, that was the USOM Director at the time of my visit in 1957.

#### TOTAL EXPENDITURES IN GREECE

As I stated to Mr. Riddleberger earlier in his testimony, the grand total of U.S. dollars spent in Greece for all purposes since the inception of the foreign aid program and approved in fiscal year 1957 amounted to \$2.72 billion, of which \$900 million have been used for defense support, emergency relief, and technical aid.

#### JUSTIFICATION OF FURTHER AID TO GREECE

Now, in the light of the statement given to me by the USOM Administrator, Mr. Frank C. Grismer, in 1957, that the program was tapering off and that the only aid for the future would be in the nature of Public Law 480 funds and also technical assistance, how can you justify, Mr. Riddleberger, a continuation of defense support in Greece? The record shows \$15 million for fiscal year 1958 and \$20 million for fiscal year 1959.

In this fiscal year, we are providing ——. In addition Greece has already obtained \$12 million from the Development Loan Fund and has made a request of \$54½ million more from the same fund. How can you justify a continuation of this defense support?

In answering also bear in mind that Senator Dworshak brought out that you have in Greece today, as I recall, \$138 million of soft currencies.

How can you justify further economic grant aid to Greece, particularly in the light of your knowledge of the inadequate tax structure of Greece, and the fact that it is very prosperous?

I would like you to reflect before you give us an answer. You can give the answer when you appear before us in the future.

Mr. RIDDLEBERGER. I will attempt to give you an answer now, Senator, if you desire.

Senator ELLENDER. I would rather you study the question, Mr. Riddleberger. Your answer will give me a guideline as to what I hope you will do in the future. My fear is that you may be guided, as

some of your predecessors, by a lot of longtime employees around you; what I call jobholders in the field who are there to sustain their positions and are not looking in my humble judgment to the interest of our own country nor the impact that such programs are having on our own economy.

If we continue a program of this kind, as I have so often said, we are going to bring some kind of ism to our shores just as sure as I am talking to you.

Senator BIBLE. May I supplement what Senator Ellender has said for a brief observation or question, because I want to terminate these hearings.

#### COMPENSATION FOR DEFENSE CONTRIBUTION

I note on the book we have before us on page 78G you make this statement, and I would like to have you elaborate on it when you respond to Senator Ellender in a future hearing. You say:

(Discussion off the record.)

Senator BIBLE. I particularly would like to have Mr. Riddleberger respond to this because of his great familiarity with the situation. I have great respect for his work and his great contribution in this field.

Senator SALTONSTALL. Mr. Riddleberger, I think we will all agree on one thing. That is, that the Greeks are very good cooks and the only better cook is the Senator from Louisiana. We certainly enjoy all their food.

Now I would like to ask a very few questions, and to get some figures. We have had a lot of general conversation. Now have you one of these sheets in front of you?

Mr. RIDDLEBERGER. Yes.

#### BUDGET REQUESTS

Senator SALTONSTALL. Now you are talking to defense support and you are asking back \$51 million on defense support, or the full amount of the authorization act. Is that correct?

Mr. RIDDLEBERGER. Yes, Senator, that is correct.

Senator SALTONSTALL. You are talking on technical cooperation and you are asking for \$25,600,000 back out of an authorization of \$179,500,000. Is that correct?

Mr. RIDDLEBERGER. That is correct.

Senator SALTONSTALL. ———. Is that the amount you are asking for? You are asking for \$25.6 million. You are dropping off \$3,900,000. Am I correct on that?

Mr. MURPHY. Yes, sir. That is correct.

Senator SALTONSTALL. Now you are talking on special assistance where you are asking back \$47,500,000 or the full amount of the authorization of \$247,500,000. Is that correct?

Mr. RIDDLEBERGER. That is correct.

Senator SALTONSTALL. Then you are also asking for restoration of general and administrative expenses of \$2,375,000.

Mr. RIDDLEBERGER. That is correct.

Senator SALTONSTALL. Those are the four accounts to which you addressed yourself this morning?

Mr. RIDDLEBERGER. They are the four to which my remarks are addressed.

## HOUSE REDUCTION

Senator SALTONSTALL. That refers to page 6 of your prepared statement, the bottom of page 6, where the House reduced these amounts by the net amount of \$123 million. Is that correct?

Mr. MURPHY. That is correct.

Mr. RIDDLEBERGER. Yes, Senator, that is correct.

Senator SALTONSTALL. So you are asking us back on ICA a total, as I figure it, Mr. Murphy, of \$126,475,000 if you include the net reduction and then add on the general and administrative expense?

Mr. MURPHY. That is correct, Senator.

Senator SALTONSTALL. These accounts, Mr. Riddleberger, are the only ones you are interested in in this statement; is that correct?

Mr. RIDDLEBERGER. Yes, I am only appearing for the ICA.

Senator SALTONSTALL. You are not interested in these accounts where you authorize some take-away, where they have come for some take-away, like the ICEM? You are not interested in these migrant refugees and escapees?

Mr. RIDDLEBERGER. I believe we are, sir, in the ocean freight expense for the voluntary agencies.

Senator SALTONSTALL. The ocean freight charges?

Mr. RIDDLEBERGER. Yes, sir.

## UNOBLIGATED BALANCES

Senator SALTONSTALL. Now you authorize us to take away \$390,000, then, from the authorization act on that?

Mr. RIDDLEBERGER. That is correct.

Senator SALTONSTALL. Because of unobligated balances which you found?

Mr. RIDDLEBERGER. That is correct, sir.

Senator SALTONSTALL. Is there any other account that you are interested in?

Mr. RIDDLEBERGER. I believe that completes the picture as far as ICA is concerned.

Senator SALTONSTALL. So that when you speak this morning on your prepared statement and what you said in answer to questions on Greece and other countries, those are the items in which you are interested?

Mr. RIDDLEBERGER. That is right.

Senator ROBERTSON. The Senator from New Mexico.

Senator CHAVEZ. I have no more questions.

Senator SALTONSTALL. Senator Young very courteously said he would yield to me for one more question.

## LANGUAGE CHANGES

On these language changes, Mr. Riddleberger, you skipped that over in making your statement.

Mr. RIDDLEBERGER. Yes, sir.

Senator SALTONSTALL. What section specifically applies to your program to which you object?

Mr. RIDDLEBERGER. It is on page 25 of the prepared statement. The reason I did not read that was that I understood that Mr. Dillon had

discussed these points at some length in his testimony yesterday and in the interest of expediting the hearing, I did not read them again.

Senator SALTONSTALL. The section that you refer to particularly is section 113, is it?

Mr. RIDDLEBERGER. Yes, sir; that is one of them, Senator. I think the sections we are interested in are sections 112, 113, and 103.

Senator SALTONSTALL. You object to sections 103 and 112 and 113 being in this act in their present form?

Mr. RIDDLEBERGER. That is right.

Senator SALTONSTALL. Thank you.

#### AFGHANISTAN AND LAOS

Senator YOUNG. Mr. Riddleberger, I would like to call attention to a statement of yours on page 4.

Afghanistan and Laos are extremely isolated countries with very difficult living conditions. The major programs in such countries cannot be accomplished overnight and are fraught with many problems and many dangers. However, with the benefit of hindsight, it is now apparent that the United States could have coped with some of these administrative problems more effectively than it did.

That is a commendable statement. That is an entirely different attitude than the position assumed by the State Department and other officials last year. I recall when some of us criticized the program in Laos, and they defended it every foot of the way. I understand that the Ambassador who set up the first program in Laos was even decorated for distinguished service over there, which indicated approval of the sort of program that was carried out over there.

What chance is there of the United States doing permanent good in a country where the leaders are corrupt and inefficient? That is true of many of the countries. What future is there for us in countries such as that?

Mr. RIDDLEBERGER. Senator, I inserted this statement on purpose because I do believe that with the benefit of experience you can improve. I would not for one moment conceal from the committee my personal opinion that the difficulties of aiding some of these newer countries are enormous and that in effect we are assuming a calculated risk. I personally am not sure that we have any choice in assuming that risk, because I am fearful that if we do not these countries may fall under the domination of the Soviet bloc. But I am the first to admit that the effectiveness of our programs is hampered by the circumstances which we find.

#### LIABILITY IN SOUTHEAST ASIA

Senator YOUNG. Aren't we assuming a tremendous liability that must go on for many years in helping the countries of southeast Asia? When will our tremendous assistance end, or even decrease? Is there any hope there?

Mr. RIDDLEBERGER. Senator, I do not wish to inject a discouraging note into this hearing, but I suspect that time will come when there is a change of mind in the Kremlin.

Senator YOUNG. The Communists or someone else will always try to overthrow the governments that are as corrupt as some are in these countries?



Mr. RIDDLEBERGER. That may be, Senator. But I see a great difference between that kind of situation and the situation with which we are faced today where we have an international communism on the march, attempting to take over and control more countries. If these countries could remain purely independent and if they could be, let us say, confined, if the situation could be confined to purely internal struggles, I suppose the Americans would be entirely happy about it.

But I think it is the threat to us which leads us into these ventures which I am the first to admit are exceedingly difficult and whose outcome, of course, no one can foresee with complete certainty.

#### POLICY OF SELECTIVE ASSISTANCE

Senator YOUNG. I used to vote for these programs, and I think there is a place for a reasonable foreign aid program. But expanding to the extent of trying to help every country in the world is wrong. We are not big enough and strong enough to do that. For this reason, I believe we are going to have to be more selective in our assistance than we have been in the past.

I do not think you can ever buy friendship by giving money when the leadership is corrupt. For that reason, I am greatly concerned about where this whole thing is leading. I think the country where we have made the most friends, which was very evident when Vice President Nixon visited it, is Poland. This food we gave them gets down to the poor people. After all, they are the ones that really count. This business of making millionaires out of a few top leaders in some of these countries is not a very permanent thing.

Senator ROBERTSON. If the Democratic members do not object, the Chair would like to recognize our colleague, Senator Hruska. He has to be on the floor in a few minutes. He would like to ask a few questions.

#### OPPOSITION TO SECTION 113

Senator HRUSKA. Mr. Riddleberger, in your statement you have expressed opposition to section 113, which has to do with information. Yesterday, Secretary Dillon did likewise. Now the Senator from Nebraska has some acquaintance with that general field of the executive privilege and the doctrine of separation of powers, and so on, and I am in full sympathy with the idea that after all there is a line of demarcation beyond which Congress cannot go and should not go if we are going to observe the constitutional principles which mean a good deal to us and to the proper working of our Government. I do not approve of section 113 in its present form.

However, Mr. Saccio, not too long ago before another committee of the Senate, testified on the business of furnishing information from ICA. My recollection—and I am so happy you are here, Mr. Saccio, to check up on my recollection if it is faulty—my recollection is that the testimony was to the effect that nothing has been withheld from the Congress or from the General Accounting Office in the field of ICA and economic assistance with one exception, and that is the internal audit reports. Is that substantially so, Mr. Saccio?

## EVALUATION REPORTS

Mr. SACCIO. The evaluation reports, not the internal audit reports.

Senator HRUSKA. The evaluation reports, not the internal audit reports?

Mr. SACCIO. That is correct.

Senator HRUSKA. Now let me refer to the testimony of Mr. Dillon in which he describes the office of inspector general and his offices. Now will the efforts and will the activities of that inspector general, who, as I understand it, will function under the State Department, will what he learns be available to committees of the Congress and to the Congress?

Mr. MURPHY. I should answer that, I believe, Senator, since I am the inspector general effective as of yesterday afternoon. I think the answer to the question is that any factual information that the Congress requests which is in my possession with respect to the operation of this program will in all probability be made available to Congress.

Senator HRUSKA. I notice your answer was just a little qualified when you say "factual" information. That won't give us any more than we have now because presumably we have all the facts now. Now are we to set up on behalf of Congress another inspector general, representing the Congress, who will do exactly what you do and duplicate your efforts and your time and your expense in order to get information in addition to the factual information to which you refer?

Mr. MURPHY. Senator, of course, I am not a lawyer and I don't want to get into deep water; but as a layman, as I understand it, the way I used the word "factual" information was to distinguish it from opinions or views of subordinates to superiors, which as I understand it is the controversial area in which this question of privilege arises.

Senator HRUSKA. That is exactly what I am talking about. We are interested, certainly the Senator from Nebraska is, in the opinion and the views of people who have experience and who have access to the things which are going on. We can have all the facts in the world and the table in back of this hearing room has hundreds of volumes of information, as an example, but just the same that does not help us unless we get an evaluation of those things by someone who knows and who is in a position to devote some time to studying it. That is the part I am talking about.

## CONSTITUTIONAL PROVISION

Mr. MURPHY. Of course, the constitutional provision to which we are referring here is uniform, or at least I understand is uniform, for the entire executive branch.

Senator HRUSKA. I understand that it can be asserted and that it will protect the Inspector General and it will protect every other member of the executive department if it is invoked. But I am talking now about a matter of restraint in the exercise of that power. After all, we have a common problem here. It is not only the ICA that is trying to save the world. The Congress kind of thinks it has a little part of some kind in trying to save the world and this country. It is a matter of restraint in the use of that power to which I refer.

## FUNCTIONS OF INSPECTOR GENERAL

Can you tell us how the Inspector General will operate?

Mr. MURPHY. This is a question I have given a lot of thought to recently. That is as far as I was able to get. The law was only enacted on the 24th of July, and I was only sworn in yesterday. That section of the law provides that this office will do three things basically. First, it will do comptroller-type functions which are set out fairly specifically in the act, establish, or review and approve financial controls, system of accounts; review and approve controls of operating agencies, advise the Secretary on financial and fiscal aspects of programs that are proposed to be carried on under the act.

The second function is the inspection function. The act transfers the functions, powers, duties, and responsibilities of ICA for carrying out investigations of fraudulent and irregular activities under this program to this new office.

The third function transferred is the evaluation function, which is the organization of ICA which has been turning out the evaluation reports to which you referred, Senator. Here again, the functions, powers, duties, and responsibilities of this office, as it was constituted in ICA, have been transferred to the new office.

So as I visualize it organizationally, the office will be set up as a three-pronged operation to carry out these three somewhat related but otherwise fairly distinct functions as set forth in the bill.

## POLICY REVIEW OFFICE

Now as far as relationship, which I think is the point of your question—how does this office relate to operating agencies such as the ICA, the Department of Defense, and the regular State Department bureaus—I would say that largely the office will be a policy office, a policy review office. It will not be an operational entity in any large sense of the word. For example, I will fully expect that the Department of Defense and ICA will conduct their own internal audits of their own operations. The act does provide that the internal audit programs of these agencies would be reviewed and approved by this new Office of Inspector General.

Senator HRUSKA. To whom do you report?

Mr. MURPHY. The act specifically provides I will be responsible to the Under Secretary of State and he is, of course, also coordinator of the entire mutual security program.

## NEW REGULATIONS

Senator HRUSKA. Now in his testimony yesterday, Secretary Dillon made reference to—

new regulations which have gone into effect, so that during the course of the past year no money is obligated for any project until the plans or specifications have been fully prepared, have been checked out, and cost estimates received.

Will your office have anything to do with that type of activity?

Mr. MURPHY. Yes, in the sense that this provision that the Secretary was stating, Senator, is actually a provision of law, which is section 517 of the Mutual Security Act, enacted last year for the first time. It has been operative for the entire fiscal year 1959. I would certainly say that to the extent that Mr. Dillon in his capacity of coordinator develops programing guidelines for the operating

agencies, among these guidelines for the operating agencies will be provisions of law such as 517, which will require that in the development of programs that are to be proposed to be carried out under the Mutual Security Act, that proper planning, engineering, cost estimates, and so forth be prepared before the implementation or obligatory phase of the project commences.

Senator HRUSKA. You will interest yourself, therefore, in your capacity in the purview of section 517 to which you have referred?

Mr. MURPHY. Yes sir, I will.

#### ATTITUDE TOWARD CONGRESSIONAL REPORTS

Senator HRUSKA. After all, we heard yesterday and we hear today that mistakes have been made by ICA in the past, but those are in the past. Now, it is said, we have something different. But I have yet to recollect a single instance where an adverse report from a committee of the Congress has been met with anything but the most stern resistance and the most unbending denials as to any wrongdoing, malfunctioning, or bad judgment. Maybe that is all to inclusive, but that has always been the general attitude of the personnel of the ICA so far as my observation is concerned.

In the testimony yesterday, and again today, we have some indications to the contrary. I am hopeful that in the work of the Inspector General and in the light of this new spirit that maybe we will have something different here which will be in line with what the Senator from North Dakota spoke about a little while ago.

It makes it too hard for some of us to try to justify this program when we don't have the information and are denied so much of the information which we consider of value.

Mr. SACCIO, did you have further comment on that general subject?

Mr. SACCIO. May I say, although I do not agree with your general statement, I should point out at least that in the hearings before the House Foreign Affairs Committee in response to the findings of the so-called watchdog committee of the House Foreign Affairs Committee, and in our relationship with the Senate Foreign Relations Committee we have cooperated and we have not denied that there were errors or mistakes.

Senator CHAVEZ. What about cooperating with the committee that furnishes the money to carry out the act?

Mr. SACCIO. I don't know of any instances where we have denied information to this committee on request.

Senator HRUSKA. If my statement about always resisting and always denying is too inclusive, let me say that the instances are far more numerous in that direction than they have been of one of explanation and cooperation and saying "Yes, we have erred; we will improve our ways."

#### JUSTIFICATION OF MISTAKES

I think that can be documented, if there is any desire for that. I am sure if we go back over the last 6 or 8 years we can show again and again and again where the House committee has come out, or some Senate committee, and called attention to these mistakes and there is always the announcement, "We will show that these findings are erroneous; they are ill considered; they are ill founded; they are

not complete," and so on. And then there is this attempted justification.

I cannot believe that my colleagues in the House and in the Senate would be so ill considerate or so premature in their judgment that they would criticize without some firm foundation for some complaint.

Mr. SACCIO. I agree with you. But I do want to point out in many instances, and they have been considerable, that we have tracked down certain allegations that have proved not to be so.

Senator HRUSKA. Correct.

#### REPORT SUBMITTED TO HOUSE

Mr. SACCIO. A year ago the House committee issued, with its general approval, a report that we submitted to the House in which we went through these allegations; we tried to collect all of them. They ran up to 96. We showed by actual answers—here it is—how many of these really had any basis in fact. There are many allegations against the agency's activities that are not just so. There are some obviously with which we agree. In our internal audit reports which are available to the GAO we criticize ourselves all the way down the line. We point out the mistakes, the inadequacies, the incompetence. That we are right every time is not a claim we would make. But we hate to be the victim of every rumor or statement which has no basis in fact.

Senator HRUSKA. It has been at least my observation and my conclusion that there has not been the best of relationship in that regard. I do hope that the creation of this inspector general's office will result in a relaxation of the doctrine of separation of powers and executive privilege to an extent where this committee and its counterpart in the House certainly would be the beneficiary of a lot of this information which is dug out and which we can do also if we undertook an inspector general's job with the staff as big as yours. I don't think we should be called to duplicate it.

#### GAO INVESTIGATION PROBLEMS

Mr. SACCIO. The GAO is in effect the inspector general of the Congress and it has been working on our programs.

Senator HRUSKA. Here is the testimony of Mr. Keller who testified before the Congress, and his official life is fairly full of frustration because he cannot get at certain things in timely fashion and adequate fashion to do his job for the Accounting Office as he sees it should be done. Maybe that is a falsely acquired frustration, but he testified to it.

Mr. SACCIO. Here again, I point out that at least here is an example of our activity, responding to the watchdog committee of the House, Foreign Affairs, which made three basic recommendations early this year, sometime in March. Every one of those recommendations was adopted by ICA within a short period of time. One was put into effect, one a week after. In fact, I may say we were thinking about doing it ourselves, but theirs was the first public statement made. We adopted it. The other two, we put into effect in the next 2 months.

I think this is a good example that our spirit is not one of fighting, but of learning and trying to do the best job we can. I again have to disagree with Mr. Keller, because his organization has access to our

internal audit reports, our expression of views among our people. The only thing left that they have not been able to get has been the evaluation reports, but they have a whole staff that is physically situated in ICA, that goes to an office, asks for information, it is handed the information. I am sure Mr. Keller will testify to this and confirm my statement.

Senator HRUSKA. The testimony in the committee will also show that he still has some frustrations. I imagine we could go on that subject for hours.

I am very grateful, Mr. Chairman, for the time accorded me.

Senator ROBERTSON. The Chair recognizes the Senator from Nevada.

Senator BURE. I have no questions. Possibly later.

Senator ROBERTSON. Mr. Monroney?

#### SALES UNDER PUBLIC LAW 480 PROGRAM

Senator MONRONEY. Are the sales that come under the Public Law 480 program in addition to the \$700 million programed by the House, or are they a part of that?

Mr. RIDDERIKER. They are in addition.

Senator MONRONEY. Then whatever we do sell in agricultural commodities under Public Law 480—if we sell \$175 million, which I gather from the book is the goal—would bring this up then by that amount?

Mr. SACCIO. No sir. There are two separate parts.

Senator ELLENDER. A part of that, Senator, is the development loan program.

Mr. SACCIO. You referred to two sections of U.S. laws. There is a provision in the Mutual Security Act, section 402, which provides that of all the money appropriated we have to spend \$175 million on surplus agricultural products in conducting the aid program.

Senator MONRONEY. That comes out of the \$700 million?

Mr. SACCIO. And the other appropriations under this act, that is right. Now Public Law 480, which is another law, is in addition to the amounts provided here.

#### PUBLIC LAW 480 EXPENDITURES

Senator MONRONEY. How much of the funds from Public Law 480 have we used in the countries receiving this defense support?

Mr. SACCIO. It is about \$700 million annually.

Senator ELLENDER. How much was that?

Mr. SACCIO. \$700 million.

Senator MONRONEY. Then there is another interjection of assets into these countries of \$700 million annually from Public Law 480?

Mr. SACCIO. Food, yes.

Senator MONRONEY. It enriches their economy just as if you had enriched it with gold or anything else except that it is not negotiable. But their country is enriched by the \$700 million additional that does not show here?

Mr. SACCIO. It does not add to the long-term development of the economy. It helps feed these people who cannot afford to buy the food with dollars.

## PRICE OF PUBLIC LAW 480 CURRENCY

Senator MONRONEY. When you buy this \$700 million, are you buying it at the world rate of their currency, or are you buying it at the official rate?

Mr. SACCIO. Under the act, it is charged at the CCC price, but our sale is based on the world market price.

Senator MONRONEY. That represents about 61 cents a bushel on wheat below the price at which CCC has it; is that correct?

Senator ELLENDER. As the Senator has pointed out, the Public Law 480 funds are in addition to our other grant and loan aid. We send our surplus food and sell it at the world market price. About 65 percent of the purchase price paid by the country, is then immediately loaned back to the country on a 30- or 40-year basis at 2 or 3 percent interest.

Senator MONRONEY. I realize we are selling at the world price, which is less than the price we paid for it, but that is all right. That is what we would sell it for if they had dollar exchange. The point I am getting at is, when we sell it to them at this price, do we take payment at the world rate of their local currency or stated official exchange? There is some deviation, sometimes as much as 1 for 10. How do we calculate that amount?

## INTERNATIONAL MONETARY FUND RATE

Mr. SACCIO. The basic reference is the "IMF" rate. We try in all these cases to get a realistic rate of exchange when we decide a sale is to be made. In many of these countries you have multiple exchange rates, and it is not easily determinable what the real value is. We do refer to the IMF as the first source.

Senator MONRONEY. Is the IMF rate the International Monetary Fund rate?

Mr. SACCIO. Yes.

Senator MONRONEY. That would correspond roughly to the world rate?

Mr. SACCIO. That is right.

Senator MONRONEY. So we are not taking it at an official rate that might give them an actual price of 10 percent of the world market price?

Mr. SACCIO. That is subject to negotiation itself. Public Law 480 is not intended as an aid law. It is intended as a method of distribution of surplus.

Senator MONRONEY. As it works, it is a very great supplement to our aid?

Mr. SACCIO. No question about that.

Senator MONRONEY. \$700 million going in aid plus the fact that, although they pay in local currency, we have no use for the local currency other than lending it back to them for 40 years at 2 percent; or, if we do not lend it back to them, we do them a greater favor by blocking the currency. They do not have to pay interest on the currency that is blocked; it is left in their local banks in many cases, is it not?

Mr. SACCIO. The statements you have made are generally correct, sir. But I again emphasize two things: First, when we make up our programs and present it to the Congress, the use of Public Law 480

surplus agricultural food is taken into account in our determination of what we think is necessary in the way of aid to a particular country.

Second, the law itself as intended, I believe expresses the policy of the United States, that the surpluses that we have should be used in some form or other: That we either sell it for local currency; we give it where, in the cases of emergency, or where it is impossible for these people even to pay local currency; or we give it to voluntary agencies who distribute it as part of their work overseas.

Now we say, of course, that this is in addition; but the fact is that our planning is based on the availability of these surpluses. There is no question about that, sir.

Senator MONRONEY. And the use which the recipient countries might have for it?

Mr. SACCIO. Definitely.

Senator MONRONEY. You are not going to sell wheat to a wheat-producing country and cotton to a cotton-producing country. I think the record should be clarified, and I was trying to clarify it. The breakdown sheet does not show any place that there is another \$700 million coming out in additional defense support that is not in dollars.

Mr. SACCIO. It is not just defense support.

Senator MONRONEY. Well, through technical cooperation and other.

Mr. SACCIO. You have Brazil where there is no defense support, and India.

Senator ELLENDER. Don't overlook the loan programs, Senator.

#### STANDARDIZATION OF PUBLIC LAW 480 CONTRACTS

Senator MONRONEY. In the negotiations of these sales for soft currency under Public Law 480, do you make any effort to standardize your agreements, or does each one represent almost a separate treaty?

Mr. SACCIO. They are fairly well standardized, because we have in mind: First, the need for food over and above what they can provide themselves with their own foreign exchanges; and, secondly, what we are going to use the local currency for. They don't vary much, of course, but we try to determine in advance what use the local currency will be put to, on a loan or grant basis.

Senator MONRONEY. It represents usually about 50 or 60 percent of the purchase of local currency that is loaned back?

Mr. SACCIO. In our field for ICA it may be about 60 percent; yes.

Senator MONRONEY. That is loaned at roughly 40 years at 2 percent; is it not?

Mr. SACCIO. No; the percentage is the same rate as the Development Loan Fund percentage that applies to the particular situation.

Senator MONRONEY. What do you mean, the interest?

Mr. SACCIO. The interest rate; yes.

#### INTEREST RATE ON LOCAL CURRENCY LOANS

Senator MONRONEY. Do you have a flexible interest charge?

Mr. SACCIO. I think it is fixed at 4 percent, sir.

Senator MONRONEY. It is 4 percent?

Mr. SACCIO. Yes.

Senator MONRONEY. Is the payout negotiable, or is it a standard payout?



Mr. MURPHY. Standard; 40 years.

Senator MONRONEY. I know that the use of most of these funds received when we sell agricultural surplus under Public Law 480 is limited to the purposes specified in the act and the country paying them generally controls their use to a certain degree.

Mr. SACCIO. We jointly control it. It is very much a joint operation in the sense that we want to indicate how it is to be spent and they agree or make suggestions, which we may agree to, as to how they should be spent.

Senator MONRONEY. You may be familiar with the proposal for an International Development Association, which is receiving serious consideration by the administration. Of these funds that we have generated, about \$3 billion have not been loaned back and are, therefore, available. Could we lend that currency through the World Bank or a subsidiary of the World Bank?

Mr. SACCIO. I imagine you can, if you accept the same limitations that we as a practical matter have had to accept in the use of local currencies; to wit, its limitation in value within the country itself, the inability to use it as foreign exchange because of the credit of the country. All these things would have to be taken into account.

#### ENCOURAGEMENT OF MULTILATERAL TRADE

Senator MONRONEY. There are no statutory or treaty restrictions in the sale of these that would prevent us from transferring it to encourage multilateral trade, as is now being done? You have made a good point, and I think it is fine that you have been making these triangular deals.

Mr. SACCIO. Of course, if we are referring to future transactions, I don't think there would be too much difficulty. We might have to clarify section 104 of Public Law 480, which lists the uses.

Senator MONRONEY. One of the uses listed is the encouragement of multilateral trade. If you do it triangularly, what is the difference? You may have to negotiate it a little bit.

Mr. SACCIO. On contracts which have already been signed, this would have to be unilaterally accepted by the other side, since the contract is already in effect.

Senator MONRONEY. The 4 percent interest or the interest rate we draw from the lend-bank would certainly be free currency that we would use as we please?

Mr. SACCIO. It comes back, though under the provisions of the act. There has been a great debate among the lawyers as to what happens to the money when it is paid back, whether it can be used again or go back into the Treasury.

Senator MONRONEY. There would be no restriction on that?

Mr. SACCIO. No.

Senator MONRONEY. Local currency would be subject to lending by DLF or by a subsidiary of the World Bank?

Mr. SACCIO. That is right. Under some of the current contracts there is provision for consultation with the country on the use of the local currency when it comes back to it.

Senator MONRONEY. There is?

Mr. SACCIO. Yes.

## AMORTIZED 40-YEAR LOANS

Senator MONRONEY. Those 40-year loans, are they amortized on a regular 40-year basis as to retirement and interest?

Mr. SACCIO. Yes. In some of the earlier agreements, the amortization did not start right away. There was a grace period. But in the recent agreements, they start fairly soon after.

Senator MONRONEY. They are supposed to pay out in 40 years, even though you have delayed repayment?

Mr. SACCIO. That is correct.

## PURCHASES OF CIVILIAN AIRCRAFT

Senator MONRONEY. I have one further question. I have been searching the record to find out about purchases of aircraft, civilian aircraft. Do you do that under defense support?

Mr. SACCIO. No.

Senator MONRONEY. Not for your own agency, but I mean for participating countries. Thailand, for example, is listed for aviation development in some of the sheets. I wondered if it was ICA that financed the fleet of Super G Constellations.

Mr. SACCIO. We do not believe we financed the purchase of those. As a factual question on this particular country, we have not.

Senator MONRONEY. I was trying to trace down where the financing came from. I understand the planes were not utilized to any degree and now they have been leased to "SAS."

Mr. SACCIO. We will check and see.

Senator MONRONEY. Could you give me a report on that?

Mr. SACCIO. We will.

(The information is classified and is in the files of the committee.)

Senator MONRONEY. Would other countries, such as Indonesia or Pakistan, be eligible under defense support or our other aid program for the purchase of new aircraft?

Mr. SACCIO. Yes. There is no restriction on the purchase of commodities if the commodities are what we agree are needed by the country. It may be in the form of a project assistance or it may be in the form of a nonproject assistance making foreign exchange available for the purchase of commodities necessary for the development of the country.

## CONTROL OVER TYPE OF PLANES PURCHASED

Senator MONRONEY. For instance, in countries where obviously all the airports will fit a DC-3 but not a 707, do we have any control over whether we permit them to buy huge planes, turboprop planes of the Electra type?

Mr. SACCIO. We certainly would under our financing.

Senator MONRONEY. In other words, I have had some complaints that there has been some effort to discourage sales of our used aircraft, DC-6's and Convairs, which would fit very well into the needs of these other countries and could be brought up to very good standards of inspection and certification, and to promote the sales only of new aircraft, of completely new types with which the natives and pilots are unfamiliar.

Mr. SACCIO. I certainly am not familiar with any activities of the ICA along this line.

Senator MONRONEY. I wish you would take a look at this aviation question. I think they should have aircraft, but I think the aircraft should be suitable for the economic development of the country. It should not put them into an international airline business when they have no traffic originating except the traffic within the country and perhaps only one airport that would be capable of receiving these planes of larger size and higher performance.

#### TOTAL EXPENDITURES ON AIRCRAFT AND PARTS

Mr. SACCIO. Very well, we shall do that.

I want to give the figure of the total amount spent on aircraft, engines and parts last year. That is for 9 months of the last fiscal year, \$221,000.

Senator MONRONEY. Thank you, very much.

Senator BIBLE. Senator Dworshak.

#### LIMITATION IN FUNDS FOR PROPAGANDA

Senator DWORSHAK. Thank you, Mr. Chairman.

Mr. Riddleberger, I would like to have some misinformation and confusion cleared up, possibly you or Mr. Saccio. It deals with the Dworshak amendment and I have been plagued for several years because of having sponsored that amendment in 1952. That is section 508, the act of 1954. I should like to read it.

Limitation on funds for propaganda. None of the funds herein authorized to be appropriated, nor any counterpart funds, shall be used to pay for personal services or printing or for other expenses for the dissemination within the United States of general propaganda in support of the mutual security program or to pay the travel or other expenses outside the United States of any citizen or group of citizens of the United States for the purpose of publicizing such program within the United States.

At a recent press conference held by the President, some correspondent asked a question of the President and he did not respond, because I am sure he was not fully informed as to the information desired. But this question was predicated upon whether all of this difficulty stemming from the failure of the State Department or ICA to release information relating to ICA is the result of the amendment which I sponsored several years ago.

Now the facts are that at the time I proposed that amendment I was interested only in stopping propaganda work within the United States. At that time there were about 80 persons employed in an office for the purpose of disseminating propaganda, printing newspapers, sending out speakers to sell the foreign aid program to the American taxpayer.

#### PUBLICIZING FOREIGN AID PROGRAM ABROAD

At that time I mentioned that I certainly was in favor of doing some of this work publicizing the foreign aid program abroad, because, for instance, in France if we spent a lot of money and we shipped a lot of food and assisted that country I wanted the nationals of that country to be aware of the contribution being made by the United States.

Now the misinformation is credited, apparently, because you, as well as Mr. Dillon yesterday, object to some of the provisions which would

force the State Department to disclose information. Now my amendment worked in the opposite direction. I did not want any propaganda. Certainly you cannot justify the assumption, based on the question and the President's answer a few weeks ago, that if there is any confusion or conflict dealing with the general subject of publicity and information relating to the ICA program, that I am responsible for it. Now what is your response? I think Mr. Saccio, as Chief Counsel for a couple of years, might be better qualified than you to answer that, but I would like a brief explanation.

Mr. RIDDLEBERGER. Thank you, Senator, and if I may I will turn it over to him in a moment. I would like to say, for one thing, I am aware, at least I read the transcript of the President's conference on that, so I am familiar with what he said. My information is, and I inquired about this immediately after I got back, that section 508, based on what was thought to be the intent of Congress, has been, shall I say, under a strict interpretation by ICA. I am the first to admit that sometimes the frontier between propaganda and information is not always easy to draw. There are those who might say in one case "This is not information, this is propaganda," and those who might equally say, "Not at all, this is legitimate information."

Therefore, I think, Senator, that the interpretation of this section does present and has presented some difficulties.

Senator DWORSHAK. In what way?

Mr. RIDDLEBERGER. In the sense I have just explained, that there is a difference of opinion respecting what is information and what is propaganda.

Senator DWORSHAK. Then you do believe that the amendment has inhibited to some extent the circulation or dissemination of publicity which in the minds of some was propaganda, but in the minds of others was legitimate information relating to the ICA program?

Mr. RIDDLEBERGER. I am informed that there has been a considerable, and I have no doubt sincere, difference of opinion with what respected propaganda and what constituted information.

Senator DWORSHAK. It depends on who is issuing it.

Mr. RIDDLEBERGER. That is right. Having said that, I will ask Mr. Saccio to comment further.

Mr. SACCIO. I should like to say, Senator Dworshak, that the questions of the executive privilege and security certainly are not in the area of section 508. There is no relationship.

Senator DWORSHAK. That is my understanding.

Mr. SACCIO. Any remarks which may have given the impression that we did not declassify things because of 508 would be a mistake. However, as Mr. Riddleberger has pointed out, our fingers have been burned by criticism. If we put out a little booklet to try to put these seven presentation books in a form so that a Congressman can look at it easily and find out what the subject matter is without going into all the details, there are people who criticize us by saying, "Look, this is just a little book to convince the Congressmen to vote for your bill." If we put it out beyond the Congress, then we really are questioned.

We feel, and I hope we have your general agreement, that we can do more in the field of letting the American people know what the program is about. We may have the problem of blowing our horns too much, but we are writing the stuff, we believe in the program and obviously you are going to get some of that.

Senator DWORSHAK. With the stipulation that you deal with factual information, I have no objection. By that I mean if the information which you circulate has a tendency to gain support for the program, that is all right. Because I have been a vigorous critic of the program, I believe the more information that the American people get about what is actually being done under this program, to that extent there will arise a wave of opposition and objection to the program.

#### WITHHOLDING OF SPECIFIC DETAILED INFORMATION

So you have my blessing in that regard. If you have faith and confidence in your version of foreign aid, that is one thing. On the other hand, I think it would have a wholesome effect to let the American people know about some of these programs. I know you withhold much of the specific detailed information, even from us on the committee. It is made available in statistical form, but we are not allowed to take this book or volume with us to the office and I certainly would not want to do that and risk the possibility of having some person get possession of it. But on the other hand I think there has been a suppression of much of the information dealing with this program.

I am glad to get your assurance. Do you want to add something else about that?

#### BENEFICIAL EFFECT OF OPEN DISCUSSION

Mr. SACCIO. I think we have been encouraged by both the authorizing committees and I hope that we have your agreement that the only way to get a sound opinion or an opinion based on a good foundation is to have open discussion here in the United States.

Let us state our case, let us state what we think we are doing, and we can be criticized by others, like some of the Senators of this committee who have gone out and looked at the program and who have disagreed with us. This is the only way I think the American people can get a good view, as you have pointed out.

If we feel that we can't do it because of certain amendments, then that is the end of the discussion. I think we both favor open discussion on this.

Senator DWORSHAK. That is right. I think the discussion we had on aid to Greece will have a beneficial effect both ways, and ultimately for Greece itself.

Now I want to conclude so far as I am concerned, with this brief observation, that I have had Eric Johnston, I have had many other persons, and recently I had the publisher Amberg of the St. Louis Globe Democrat, who is a member of the President's Commission, set up to disseminate information and to publicize the program. He spent an hour in my office. I assured him that I did not believe that we could construe this section so narrowly that the ICA or the President, for that matter, would be prevented from circulating factual information dealing with this program.

My original objective was merely to prevent the use of propaganda. I am sure that you will agree with me at the time I was inspired to do that, ICA or whatever it was called at that time was publishing a full size newspaper telling about the program and what it was doing, and it was being circulated to every newspaper in the United

States. I thought that was going far beyond the point of providing factual information. I am sure you will agree with me.

Mr. SACCIO. I was not connected with the program then, but I certainly will agree if we go to extremes in this we would defeat the very purpose of putting out this information.

Senator BIRLE. Senator Byrd.

#### OFFICIAL RELATIONSHIPS WITH BOLIVIA

Senator BYRD. Mr. Chairman, I would like to ask what our official relationships have been with Bolivia. What are they today? Are they better than they were before we started our aid program in Bolivia, or have they deteriorated?

Mr. RIDDLEBERGER. If I may I will ask Mr. Saccio to respond to that question, because I happen to know only recently he has acquainted himself thoroughly with this matter.

Senator BYRD. All right.

Mr. SACCIO. I think our relationship today as compared to 1952 is much better.

Since 1952 when the revolution occurred in Bolivia, I think we have maintained very good relationship with the country and with the Government.

As far as the Bolivian Government's activities in the international field, its expression of views in various international forums, I don't think that there is anything that the United States could desire more than what they have done.

Senator BYRD. Has the political situation become more settled in recent weeks there?

#### ECONOMIC PROBLEMS IN BOLIVIA

Mr. SACCIO. I could not answer on the basis of weeks, but I would say over the past 6 months the country itself has had serious economic problems which have certainly not added to the political stability of the country.

There have been strikes; there have been difficulties, riots; there have been sharp disagreements between major parts of the working population and the Government.

I would not say it is an ideal situation at the present time.

Senator BYRD. Have the economic conditions which led to our provision of special assistance to Bolivia improved since we began giving aid to Bolivia?

Mr. SACCIO. I would say they are not although there are areas where there have been improvements.

The basic difficulty in Bolivia is its foreign exchange situation which deteriorated badly in 1953 and which has not improved, in fact, it may have gotten worse, due to the fact that the price of tin has either gone down or, although the price may have remained the same, the market is not as broad and so they have lost something like \$50 million of foreign exchange annually which is a fairly substantial loss for a country of that size.

Senator BYRD. Do you believe, then, that our official relationships have deteriorated?

Mr. SACCIO. I do not think so. I think the economic problems are such that you might say that our position has become a lot more firm in trying to get this country to meet some of the very basic problems it has which are not only, I might say, economic, but social, as well.

## HOUSE HEARINGS

Senator BYRD. I note in the hearings conducted by the House committee that Mr. Bell expressed the belief that there has been some deterioration in official relationships with Bolivia. You would disagree with Mr. Bell?

Mr. SACCIO. I think the statement that Mr. Rubottom recently made on the subject of the political relationships would be a lot more authoritative.

I don't know whether there is any real disagreement between Mr. Rubottom and Mr. Bell.

## AID PROGRAM IN IRAQ

Senator BYRD. Do we have any aid program being conducted in Iraq?

Mr. SACCIO. It is a very limited program at this time. It can be described practically as a holding operation with the major emphasis in the area of participant training, people coming here to the United States. So far as technicians themselves in the country, it is quiescent.

We have a man there, of course, who has good relationships with some of the ministries, holding our operation at that level at this particular time.

I was just reminded to say that there is no capital assistance at all, that the program in Iraq on the economic assistance side has been almost wholly technical assistance cooperation for years.

Senator BYRD. Was there a defense support program at the time of the coup there?

Mr. SACCIO. Last year, no. There has not been any capital aid to Iraq.

Our approach on the economic side has been that we were giving technical cooperation and advisory assistance. That has been the gist of the program for years.

Senator BYRD. There was a military assistance program, was there not?

Mr. SACCIO. There was.

Senator BYRD. But no defense support?

Mr. SACCIO. No defense support.

Senator BYRD. Was there any economic assistance program other than technical assistance at that time?

Mr. SACCIO. No, sir.

## TOTAL AMOUNTS SPENT IN GREECE

Senator BYRD. Mr. Chairman, I wonder if it might be a proper request to ask Mr. Riddleberger to supply for the record at that point where he was being interrogated by Senator Ellender and Senator Dworshak, I believe, and myself, concerning Greece, to ask that a table be inserted in the record giving for a period of the last 5 years, we will say, the amounts of moneys that we have spent there for

defense support or special assistance, or any amounts of Public Law 480 money and so on, all categories of assistance in each of the past 5 years.

Senator BIBLE. I assume there will be no difficulty. You want it all inclusive as to the amount?

Senator BYRD. Might we inquire if he could also supply at that point in the record some information which would indicate the tax picture there inasmuch as that subject has arisen here, giving us a picture of the tax base, the tax rates, the tax revenues, and the gross national product, the per capita income, the public debt, and so on, for each of the past 5 years.

Senator BIBLE. Is that a request that can easily be complied with?

Mr. RIDDLEBERGER. I think we can certainly comply with most of it.

On the question of the detailed information on the tax structure, I would have to check that. Certainly the rest of it would be available.

Senator BIBLE. Does the Senator from West Virginia desire to indicate how much detail he wants as to the tax structure?

Senator BYRD. I think we ought to get all we can get because, as I see it, there has been a serious indictment of continuing a large program of defense support and economic assistance and so on in that country, and I think we ought to see just what the economic picture is there.

(The information referred to appears on p. 368.)

Now, Mr. Chairman, I have one further question, and I refer to page 25 of Mr. Riddleberger's statement in which he expresses opposition to the amendment inserted by the House which would require certain engineering standards and so on in the construction of projects in other countries.

He states in the fourth paragraph that it "requires engineering studies and firm cost estimates on all projects of over \$100,000."

He is referring to section 513 of the Mutual Security Act enacted last year.

My question is this:

PERCENTAGE OF CONSTRUCTION PROJECTS COSTING OVER \$100,000

Would it be possible for us to be informed as to what percentage of the projects fall into that category, construction cost of over \$100,000?

Senator BIBLE. Is that a request that can be complied with?

Mr. SACCIO. I can give you a general estimate on that. Probably I should say right off that we apply 517 to all of our projects and do not take advantage of the \$100,000 exemption. The requirement is built into the system and it is expected that the requirement of this provision be carried out in all program submissions to Washington.

Senator BYRD. So you are not restricting the application of that section to these projects that are above \$100,000.

Am I correct?

Mr. SACCIO. That is correct.

Senator BYRD. Thank you.

Senator BIBLE. Thank you very much, Mr. Riddleberger.

I understand we will be seeing you later on.

Mr. RIDDLEBERGER. Thank you, sir.

BEST AVAILABLE COPY



(The following was subsequently submitted:)

(See p. 86.)

*Mutual security—Estimated unexpended June 30, 1959, fiscal year 1960 new funds and expenditure availability fiscal year 1960*

[In thousands of dollars]

|   | Estimated unexpended June 30, 1959 |   |             | Amount authorized fiscal year 1960 | Available for expenditure fiscal year 1960 |
|---|------------------------------------|---|-------------|------------------------------------|--|
|   | Obligated, committed, or reserved  | Unobligated, uncommitted, or unreserved | Total       |                                    |  |
| Military assistance.....                                | \$2,539,825                        | <sup>1</sup> \$36,453                   | \$2,576,278 | \$1,400,000                        | \$3,976,078                                |
| Defense support.....                                    | 798,688                            | 90                                      | 798,778     | 751,000                            | 1,549,778                                  |
| Development Loan Fund.....                              | 769,792                            | <sup>1</sup> 13,246                     | 783,038     | <sup>2</sup> 700,000               | 1,483,038                                  |
| Development assistance.....                             | 96,519                             |   | 96,519      |                                    | 96,519                                     |
| Special assistance.....                                 | 160,429                            | 1,249                                   | 161,678     | 247,500                            | 409,178                                    |
| President's Asian fund.....                             | 83,421                             | 2,475                                   | 85,896      |                                    | 85,896                                     |
| President's contingency fund.....                       | 143,242                            | 184                                     | 143,426     | 155,000                            | 298,426                                    |
| Technical cooperation, bilateral.....                   | 165,259                            | <sup>3</sup> 3,912                      | 169,171     | 179,500                            | 338,071                                    |
| Technical cooperation, U.N.....                         | 9,587                              |   | 9,587       | 30,000                             | 39,587                                     |
| Technical cooperation, OAS.....                         | 1,008                              | 300                                     | 1,308       | 1,500                              | 2,808                                      |
| Joint control areas.....                                | 275                                | 6                                       | 281         |                                    | 281  |
| Atoms for peace.....                                    | 7,063                              | 2,101                                   | 9,164       | 6,500                              | 15,664                                     |
| North Atlantic Treaty Organization.....                 | 968                                |   | 968         |                                    | 968  |
| Intergovernmental Committee for European Migration..... | 5,663                              | 4,829                                   | 10,492      | <sup>4</sup> (12,200)              | 10,492                                     |
| U.N. Refugee Fund.....                                  | 1,179                              |   | 1,179       | 1,100                              | 2,279                                      |
| Escapee program.....                                    | 6,860                              | 568                                     | 7,428       | 5,200                              | 12,628                                     |
| U.N. Children's Fund.....                               | 10,088                             |   | 10,088      | 12,000                             | 22,088                                     |
| U.N. Relief and Works Agency.....                       | 2,679                              | 4,428                                   | 7,107       | 25,000                             | 32,107                                     |
| Ocean freight.....                                      | 1,289                              | 390                                     | 1,679       | 2,300                              | 3,979                                      |
| Control Act.....  | 128                                | 14                                      | 142         |                                    | 142  |
| Administrative expenses, ICA.....                       | 6,145                              | 125                                     | 6,270       | 39,500                             | 45,770                                     |
| Administrative expenses, State.....                     | 1,107                              | 64                                      | 1,171       | (8,395)                            | 1,171                                      |
| NATO Parliamentary Conference <sup>5</sup> .....        |                                    |   |             |                                    |  |
| Total.....  | 4,801,014                          | 70,434                                  | 4,871,448   | 3,556,100                          | 8,427,548                                  |

<sup>1</sup> Includes \$21,000 proceeds from military sales available until expended under existing legislation.<sup>2</sup> Total unobligated balance is as follows: Uncommitted as above, \$13,246; committed but not obligated, \$212,250; total unobligated, \$225,496; all available until expended under existing legislation.<sup>3</sup> Of this authorization not to exceed \$700,000,000 may be advanced prior to July 1, 1960, and not to exceed an additional \$1,100,000,000 may be advanced prior to July 1, 1961.<sup>4</sup> Includes \$2,837 of the \$8,000 added by Congress for improved personnel and training program.<sup>5</sup> Continuing authorization is now contained in the act.<sup>6</sup> \$100,000 included in authorization but to be appropriated in another bill.

(See p. 108)

*Mutual security program for fiscal year 1960—Breakdown on reclama*

| <i>Title</i>  | <i>Restoration sought</i> |
|---|---------------------------|
| Chapter I. Military Assistance.....                         | \$100,000,000             |
| Chapter II. Economic Assistance:                            |                           |
| Title I. Defense Support.....                               | 51,000,000                |
| Title II. Development Loan Fund.....                        | <sup>1</sup> 650,000,000  |
| Administrative expense limitation.....                      | (300,000)                 |
| Title III. Technical Cooperation:                           |                           |
| Bilateral.....  | 25,600,000                |
| Multilateral, (b) Organization of American States.....      | -300,000                  |
| Total, title III.....                                       | 25,300,000                |
| Title IV. Special Assistance and Other Programs:            |                           |
| Special assistance.....                                     | 47,500,000                |
| Migrants, refugees, escapees:                               |                           |
| (a) ICEM.....   | -629,000                  |
| (d) Escapee program.....                                    | -568,000                  |
| Ocean freight charges, U.S. voluntary, relief agencies..... | -390,000                  |
| General administrative expenses.....                        | 2,375,000                 |
| State Department administrative expenses.....               | 431,000                   |
| Atoms for peace.....  | 1,248,730                 |
| Total, title IV.....  | 49,967,730                |
| Total, Economic Assistance—Chapter II.....                  | 776,267,730               |
| Total restoration sought.....                               | 876,267,730               |

<sup>1</sup> Of which \$150,000,000 is for use in fiscal year 1960 and \$500,000,000 for use in fiscal year 1961.

(See p. 118)

## LIST OF 58 NATIONS AND TERRITORIES PROPOSED FOR TECHNICAL AND ECONOMIC ASSISTANCE IN FISCAL YEAR 1960

|                    |               |                    |
|--------------------|---------------|--------------------|
| Afghanistan        | Haiti         | Nigeria            |
| Argentina          | Honduras      | Pakistan           |
| Bolivia            | India         | Panama             |
| Brazil             | Indonesia     | Paraguay           |
| British Guiana     | Iran          | Peru               |
| Burma              | Israel        | Philippines        |
| Cambodia           | Jamaica       | Rhodesia-Nyasaland |
| Ceylon             | Japan         | Somalia            |
| Chile              | Jordan        | Spain              |
| China (Taiwan)     | Kenya         | Sudan              |
| Colombia           | Korea (South) | Surinam            |
| Costa Rica         | Laos          | Thailand           |
| Cuba               | Lebanon       | Tunisia            |
| Dominican Republic | Liberia       | Turkey             |
| Ecuador            | Libya         | Uruguay            |
| El Salvador        | Mexico        | Venezuela          |
| Ethiopia           | Morocco       | Vietnam (South)    |
| Ghana              | Nepal         | Yugoslavia         |
| Greece             | New Zealand   |                    |
| Guatemala          | Nicaragua     |                    |

## COMMITTEE RECESS

Senator BIBLE. With that, we will now stand in recess until tomorrow morning at 10:30.

(Thereupon, at 1 p.m., Thursday, August 6, 1959, the committee was recessed, to reconvene at 10:30 a.m., Friday, August 7, 1959.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

FRIDAY, AUGUST 7, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10:30 a.m. in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Chavez, Ellender, Stennis, Monroney, Bible, McGee, Saltonstall, Dworshak, and Hruska.

## MILITARY ASSISTANCE PROGRAM

STATEMENTS OF GEN. L. L. LEMNITZER, CHIEF OF STAFF, U.S. ARMY, ACCOMPANIED BY CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY FOR MILITARY ASSISTANCE PROGRAMS, INTERNATIONAL SECURITY AFFAIRS; CAPT. L. P. GRAY III, U.S. NAVY, MILITARY ASSISTANT TO THE CHAIRMAN, JOINT CHIEFS OF STAFF; MAJ. GEN. JOHN S. GUTHRIE, U.S. ARMY, DIRECTOR, EUROPEAN REGION, OASD/ISA; BRIG. GEN. FREDERICK O. HARTEL, U.S. ARMY, DIRECTOR, WESTERN HEMISPHERE REGION, OASD/ISA; REAR ADM. E. B. GRANTHAM, JR., U.S. NAVY, DIRECTOR, NEAR EAST, SOUTH ASIA, AND AFRICA REGION, OASD/ISA; CAPT. CHARLES WAYNE, U.S. NAVY, FAR EAST REGION, OASD/ISA; LT. COL. WILLIAM M. ZIMMERMANN, U.S. ARMY, OFFICE OF THE CHIEF OF STAFF, U.S. ARMY; MONROE LEIGH, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS; MARKLEY SHAW, ISA COMPTROLLER; COL. VICTOR H. KING, U.S. AIR FORCE, DEFENSE COORDINATOR, MSP CONGRESSIONAL PRESENTATION, ISA; RICHARD CRAWFORD, CHIEF, CONTROL DIVISION, OFFICE OF PROGRAMING AND CONTROL, OASD/ISA, DEPARTMENT OF DEFENSE; J. E. MURPHY, INSPECTOR GENERAL AND COMPTROLLER, MUTUAL SECURITY; PHILANDER P. CLAXTON, DEPUTY ASSISTANT SECRETARY FOR MUTUAL SECURITY AFFAIRS; VINCENT SHERRY, PROGRAM OFFICER, DEPARTMENT OF STATE; EDWARD F. TENNANT, ACTING ASSISTANT DEPUTY DIRECTOR-COMPTROLLER; C. HERBERT REES, PROGRAM OFFICER, NEAR EAST AND SOUTH ASIA, INTERNATIONAL COOPERATION ADMINISTRATION

## BUDGET REQUEST

Chairman HAYDEN. The committee will come to order, please.

We have as our witness this morning, General Lemnitzer, who will testify on the military assistance program.

The original request was in the amount of \$1,600 million, and this was reduced in the authorizing bill to \$1,400 million.

The House in the appropriation bill has further reduced the amount to \$1,300 million.

General LEMNITZER. Mr. Chairman, distinguished members of the committee, it is both a privilege and a pleasure to have this opportunity to appear before this committee.

Over the recent years I have appeared before the Senate Appropriations Committee a number of times to discuss various facets of our mutual security program. Today I appear before you to speak for the Chairman and the members of the Joint Chiefs of Staff, in support of the military assistance portion of the mutual security program for fiscal year 1960, as authorized by the Congress of the United States.

The Joint Chiefs of Staff have, as one of their primary responsibilities, the development and submission of recommendations concerning military assistance to the Secretary of Defense for coordination with the Department of State, and transmission to the President for consideration in the development of the overall mutual security program.

#### EXCERPT FROM MESSAGE OF THE PRESIDENT

In transmitting to the Congress the mutual security program for fiscal year 1960, the President, in his message of March 13, 1959, stated:

For our contribution of military materiel and training assistance to the collective security effort, I now ask the Congress to make available \$1.6 billion. This amount is far below that needed for our share of the cost of improving or even providing essential maintenance for the forces of our allies. It is a minimum figure necessary to prevent serious deterioration of our collective defense system.

#### DRAPER COMMITTEE REPORT

On the 29th of April, the President transmitted to the Congress the first interim report of the Draper Committee. This Committee had been appointed to undertake a completely independent analysis of the military assistance aspects of our mutual security program.

The Draper Committee emphasized the need for modernization of free world military forces. The Committee was of the opinion that the proposed \$1.6 billion was inadequate and would not permit the United States to make the contribution necessary for the modernization of NATO forces now underway, and to help maintain effective forces in other parts of the world.

#### VIEWS OF JOINT CHIEFS OF STAFF

On May 6, 1959, the following views of the Chairman of the Joint Chiefs of Staff were presented to the Senate Foreign Relations Committee in support of the military assistance program:

Our free world alliance is essential to our own national security. The military capabilities of the alliance are developed in a large part through our military assistance program. If this program is weakened or reduced to insignificance, our adversaries will have achieved a major victory without firing a shot.

The Joint Chiefs of Staff have reviewed the situation in the light of developments since May 6 and confirm that the foregoing statement represents their views today. We believe that the amount recommended for military assistance in the fiscal year 1960 budget is, as

pointed out by the President and the Draper Committee, actually less than that required in support of those military forces of our allies which are considered essential to maintain U.S. and free world security.

#### ULTIMATE OBJECTIVE OF INTERNATIONAL COMMUNISM

Some 10 to 12 years ago the United States became convinced that the ultimate objective of international communism was worldwide domination and that the Communists were prepared to employ military power to achieve this objective whenever and wherever it suited their purpose. At that time, we adopted the principle of collective security as a basic facet of our foreign policy. A vital part of this basic element of our foreign policy has been the provision of military assistance to those nations of the free world who were faced with the threat of Communist domination from within or without their borders. Throughout the years the Communist bloc has steadfastly maintained its pressure around the periphery of the free world.

Today we find ourselves faced with the unresolved problem of Berlin, the unprovoked and unjustified aggression in Tibet, continued Communist pressure on Taiwan, Communist inspired armed dissidence in Laos, and Communist inspired and exploited unrest throughout the Middle East. At the same time, the Communists continue to improve and modernize their military forces worldwide. These activities provide evidence of the continuing Communist menace that is both massive in strength and global in scope.

Those who would enslave freemen everywhere are embarked upon this course along all fronts. These are the cold and brutal facts of life in the world today.

In order to counter this threat to the survival of the free world, we must not weaken in our determination to preserve the free world alliance. The military assistance program is an essential tool in accomplishing this end.

#### AUTHORIZATION BILL APPROVAL

After considering the President's proposal for military assistance in fiscal year 1960, the Congress approved an authorization of \$1.4 billion. The House of Representatives has now voted an appropriation of \$1.3 billion, which is \$100 million below the authorization.

The Joint Chiefs of Staff are firmly of the opinion that the proposed reduction will have an adverse impact upon the objectives of the military assistance program and, in turn, upon our overall military posture throughout the free world. At this time it is not possible to measure the impact of the proposed reduction in specific numbers of planes, tanks, missiles, or other forms of military assistance which will be denied to our allies.

#### ADJUSTMENTS REQUIRED

However, a preliminary analysis indicates that, among others, the following significant adjustments are already required in the planning program for fiscal year 1960 as a result of the reduction from \$1.6 billion to \$1.4 billion.

In Europe, we will be forced to curtail important modernization programs for all services.

In the Near East, the programs for fighter aircraft, naval vessels, tanks, artillery, and ammunition will be drastically curtailed.

In the Far East, as in Europe, it will be necessary to curtail, and in many cases virtually eliminate, important modernization programs.

You will notice from the foregoing that the deletions are particularly heavy in items and projects designed to provide much needed modernization. These projects were recommended for financing in fiscal year 1960, even under an austere program. They will now have to be deferred as a result of the reduction in the authorization. By contrast, as I previously pointed out, the armed forces of the Sino-Soviet block are being constantly modernized.

#### EFFECT OF DEFERMENT OF AUTHORIZATIONS AND APPROPRIATIONS

Even if the requirements of the fiscal year 1960 military assistance program are ultimately fulfilled by later authorization and appropriations, the time lost in fulfilling them cannot be fully recovered. More importantly, such deferments limit the forward planning and jeopardize the free world's ability to counter the military strength of the Communists. This might well encourage the Communists to more aggressive actions designed to probe the areas of weakness which result from the reduced scale of military assistance.

#### TANGIBLE RESULTS OF MILITARY ASSISTANCE PROGRAM

Great strength has accrued to free world nations with the help of our aid. We can look about us in the countries of the free world today and see very plainly the tangible results of our military assistance program.

In less than 10 years, it has made possible the buildup of allied military strength and the development of a corresponding will to resist Communist aggression. The past year has presented a number of sharp challenges. In each instance we must attribute a portion of our success in deterring such aggression to our continued efforts under the military assistance program.

Without our military assistance program, the United States would require more men under arms, both at home and overseas. If we were to maintain forces sufficient to match the Communist bloc in military strength or resources at all points of possible aggression around the world, the cost to the United States would be far in excess of the \$22 billion furnished under the military assistance program and the \$141 billion spent by our allies during the years 1950 to 1958.

#### COLLECTIVE SECURITY

The United States simply does not have the means to take on, alone, the defense of the entire free world. At the same time, the Joint Chiefs of Staff firmly believe that the defense of the free world is inseparably linked to our own defense. Today, the survival and continued development of the countries of the free world depend more than ever upon collective security.

At this time, we cannot accurately estimate the psychological effects in the international arena of the reductions made to date in the appropriation requested for the military assistance program. It is my own personal belief, however, that these reductions may be interpreted as an indication of reluctance on our part to retain and strengthen

our position of world leadership in opposition to the challenge posed by a Moscow-dominated, Communist-controlled bloc.

We recognize that the threat of Communist imperialism also includes political and economic encirclement and strangulation of free nations, as well as the threat of military force. Obviously, the Communists will continue to employ all of their capabilities as it may suit their purpose.

The proper balance between economic and military aid under the mutual security program does not lend itself to universal determination. The balance between the two varies widely from country to country, depending upon U.S. objectives and the ability of the recipient nation to utilize military and economic aid effectively.

In summary, Mr. Chairman, the Joint Chiefs of Staff are of the opinion that the continuance of the military assistance program, on a basis commensurate with the threat, is essential to the security of the free world.

Furthermore, it is of vital importance that the momentum of this program be maintained. Over the past few years, there has been a steady decline in this momentum to a critically low point.

The Joint Chiefs of Staff consider that the \$1.4 billion authorized by the Congress for fiscal year 1960 military assistance program is urgently needed and recommended that this vital requirement be met in full.

That, Mr. Chairman, completes my opening statement.  
Chairman HAYDEN. Senator Chavez?

#### FRENCH COMMITMENTS TO NATO

Senator CHAVEZ. General, you refer to NATO in the earlier part of your statement. What is France doing in that respect? How many divisions are they supposed to furnish the free world that you speak of?

General LEMNITZER. Senator, France, as do the other members of the NATO alliance, has certain commitments with respect to NATO. She has a total of ——— divisions, but ——— of them happen to be at the present time in Algeria.

Senator CHAVEZ. Killing Arabs; is that right?

General LEMNITZER. I expect that is one of the objectives, those who are opposing the French armed forces.

Senator CHAVEZ. The free world that we talk about?

General LEMNITZER. I do not understand the question.

#### BELGIUM AND LUXEMBOURG

Senator CHAVEZ. What about Belgium?

General LEMNITZER. Belgium and Luxembourg combined are committed to NATO to provide ——— divisions.

Senator CHAVEZ. How many have they?

General LEMNITZER. They have ———.

Senator CHAVEZ. Active?

General LEMNITZER. ——— active divisions; yes sir.

Senator ELLENDER. Where do you get your information, General? You have not been in Europe to see for yourself, have you?

General LEMNITZER. Not since I have been Chief of Staff, no, but I have been in Europe a number of times in the last 2 years.

Senator ELLENDER. You know, it is a funny thing, but you get different information than some of the writers which by the way corresponds with what I have found to be the case.

General LEMNITZER. I don't know what reports you refer to.

Senator ELLENDER. I know. They are from the French generals. I talked to them when I visited Europe. NATO was supposed to have at one time 36 active divisions.

Today NATO has about 21½ on paper and 5½ of those are U.S. divisions and three or four European divisions.

General LEMNITZER. I don't think that is quite right ———.

Senator ELLENDER. I mean active divisions adequately supplied?

General LEMNITZER. Some of these forces that are committed to NATO are in an active status. However, the French also have commitments for reserve divisions. I don't know what the basis for the reports to which you refer are, but I would like to point out that when we started the military assistance program and started NATO, they had practically no divisions in Western Europe. There was very little strength in Europe in Belgium, France, or any other nation for that matter.

However, the situation in the past 10 years has changed decidedly, and there is now considerable strength in Europe.

Senator CHAVEZ. General, please do not misunderstand me, I believe in NATO.

General LEMNITZER. I understand, Senator Chavez.

Senator CHAVEZ. What I am afraid of is that we are doing it all and some of the other countries are not keeping up to their commitments.

#### CONTRIBUTIONS OF OTHER COUNTRIES

General LEMNITZER. Senator Chavez, I do not think we are doing it all. We definitely are not. I have been around a great many countries of the world that are in very strategic locations. Some of these countries are doing a tremendous amount and carrying a very, very heavy load. For example, I would cite in the area where I just served, the Republic of Korea, the Republic of China, Free Vietnam, Pakistan, Turkey, go all the way around the world—they were doing a great deal for themselves.

Senator CHAVEZ. I think you are correct about Turkey, but I do not know about the others.

General LEMNITZER. I emphasize particularly that the Republic of Korea is carrying a tremendous fiscal load on its own part.

We, of course, like Korea, which was largely destroyed by the recent war, are also carrying a very heavy load.

Senator CHAVEZ. The NATO nations are supposed to help in Korea. I understand that the British have 40 officers.

General LEMNITZER. That is not correct; the British have a detachment of officers and men left in Korea. The Turks, however, have sustained the same numerical forces they had at the conclusion of the fighting in Korea in July 1953.

Senator CHAVEZ. In the history of the free world, the Turks have always kept their commitments.

General LEMNITZER. An important element in the United Nations Command is the Thailand Company while it is only a company, it is a large company, and it assists in maintaining the international



character of the United Nations Command which is very important, in my opinion.

Senator CHAVEZ. How much do the French have?

General LEMNITZER. They had a battalion in Korea during the early days of combat. They moved their forces out to fight in Indochina back in 1953 or 1954.

Senator CHAVEZ. Outside of the Turks, who else of NATO nations have any outside of the United States?

General LEMNITZER. They are limited to the Turkish Brigade, the Thailand Company and detachments of other nations who participated in the Korean war, to maintain the international character of the United Nations Command.

Senator CHAVEZ. How many soldiers altogether, military personnel?

General LEMNITZER. The detachments range from 10 to 30, as I recall. At least they were of that size when I left there 2 years ago.

Senator CHAVEZ. What is your military personnel?

General LEMNITZER. The United States has two divisions and supporting troops comprising one corps. The Koreans, however, have 18 divisions along that 155-mile front which constitutes a part of the Iron Curtain in Asia.

Senator CHAVEZ. Thank you, General.

Chairman HAYDEN. Senator Saltonstall?

Senator SALTONSTALL. Thank you, Mr. Chairman.

General Lemnitzer, you had a great deal to do with advising us on this program a few years ago, I can recall very well.

Now, may I steal for a moment, a little of the statement of Mr. Shuff and ask you a question that I am confident you are capable of answering, and not more capable than he, but perhaps from a longer period of time.

You have worked for mutual security for how many years?

General LEMNITZER. I had a hand in preparing the original and several follow-on programs. I was the Defense Department representative in preparing the initial program and stayed with it through 1950. I think we submitted during that time two yearly programs and then a \$4 billion supplemental program after the Korean war broke out.

#### PERCENTAGE DISTRIBUTION OF PROGRAM BY AREA

Senator SALTONSTALL. Now, following up a little bit what Senator Chavez has said, and Senator Ellender, I note that 38 percent of this program is going to Europe; 32 percent to Far East; 23 percent to Near East; 5 percent to Latin America, and 2 percent to administration.

Now, regarding money, without going into detail, the 21 percent that goes for maintenance and 34 percent goes for materiel, I have two questions:

I am surprised to see that 38 percent of all this assistance is going into Europe. I thought that our responsibilities in Nationalist China and in Korea took a bigger percentage than in Europe and if not, why not, why should it not?

General LEMNITZER. I can give you a general answer. It will be broken down in detail by subsequent witnesses.

I would say, so far as volume of equipment is concerned, that 32 percent going to the Far East actually represents a greater quantity of equipment. However, the equipment that is presently programed for Europe is more modern and higher priced. That is one of the reasons for the larger percentage, dollarwise, going to Europe.

Senator SALTONSTALL. Is Europe today not more capable of supporting itself to a greater degree than the Far East?

General LEMNITZER. I think that is correct, Senator Saltonstall; yes, sir.

Senator SALTONSTALL. Therefore, if we have to cut down should we not cut down further in Europe than in the Far East?

General LEMNITZER. Of course, I hope, Senator, that it is not necessary to cut anything below the present program. I know that they are hurting, particularly in the Far East, but they are also hurting in Europe in modernizing their forces and in building them up to the level that General Norstad considers minimum.

Senator SALTONSTALL. Of course, that has to be a point of view, but if there was a cutback, am I unfair to say or am I incorrect in saying, that it would be wiser to cut back in Europe than it would in the Far East?

General LEMNITZER. Unless I know the specifics of what were being cut, I could not give you a definite answer to that question.

I still go back to my original point. It is like asking me which hand I would rather have cut off. I don't want either one cut off.

#### FUNDS FOR MAINTENANCE

Senator SALTONSTALL. That leads me to the second question and, Mr. Chairman, that is all I am going to ask at this time, if you are going to cut back or if we had to make any changes, why do we have to put out 21 percent for maintenance as opposed to 34 percent for materiel?

The materiel is the most important, is it not?

General LEMNITZER. Materiel is important, but maintenance also is important to keep materiel operational that has already been delivered, that is already in the hands of the forces of these allied nations.

Senator SALTONSTALL. But particularly in Europe, if we had to choose between materiel and maintenance, do you not agree with me that the important thing for us to do with the present status of conditions in the world, is that we could do better providing materiel than maintenance?

If Europe cannot support the materiel, then the situation is certainly bad.

General LEMNITZER. I would say, as a general answer, that Europe is in a better position to provide maintenance than some of the nations in the Middle East or Far East, that they have a better industrial capability, and that they are better off in that respect.

#### EMPHASIS ON MODERNIZATION

To answer your question specifically, however, I would like to take a moment here. The way the program has been prepared this year, Senator Saltonstall, as I indicated in my opening statement, is to place greater emphasis on modernization. Those cost figures, again,

are to improve the forces that are in Western Europe, particularly in the missile field.

Senator SALTONSTALL. That is what General Norstad told us when he was here.

Then put it this way: Do you agree with me that materiel today in Europe is more important than maintenance if we have to make any shift?

Mr. SHUFF. May I, Mr. Chairman, supplement here?

My name is Shuff, and my job is Deputy Assistant Secretary of Defense for the Military Assistance Program. Senator Saltonstall, a lot of the force maintenance is already being carried in European nations. Twenty-one percent of this year's program for force maintenance is largely for countries other than Europe. As a case in point, Germany is almost completely on a pay-as-you-go basis. United Kingdom is almost completely on a pay-as-you-go basis. We have cost-sharing programs with Belgium, the Netherlands and Denmark.

#### DILLON-MONNET AGREEMENT

We have an arrangement with France in which we are attempting to get them to be on more of a pay-as-you-go basis. For example, the Dillon-Monnet agreement is one that I am sure you are aware of.

Therefore, when you look at the 21 percent for force maintenance for the military assistance program of the world, the indication is that it is largely for countries not so well equipped to afford their maintenance. That is where most of that is going.

Senator SALTONSTALL. So the expensive materiel will go into Europe, but the maintenance materiel will go elsewhere?

Mr. SHUFF. Largely; yes, sir.

Senator SALTONSTALL. General Lemnitzer, if I might direct this one remark to you, as a general of the Army, and an experienced man in all these fields, today materiel, particularly in Europe, is the most important thing that we can do, is it not, in a military way?

General LEMNITZER. Yes; and it is being provided to improve the capability of their present forces. That is correct.

Senator SALTONSTALL. Mr. Chairman, I have no further questions. Chairman HAYDEN. Senator Ellender.

#### SOURCE OF INFORMATION

Senator ELLENDER. General, how much of the information you are now giving to the committee comes from your own personal knowledge?

General LEMNITZER. Well, I don't know how much information I have actually given up to this point, Senator Ellender. I am referring to authentic tabulations which I have here, which have been provided and assembled for me by the Joint Staff as a result of information which has been provided to them from our military assistance advisory groups and unified commanders throughout the world.

Senator ELLENDER. All of your information comes from your people in the field?

General LEMNITZER. Not all—some has been assembled by the various governmental departments here in Washington.

Senator ELLENDER. From the missions abroad?

General LEMNITZER. A good amount of it is; yes, sir.

Senator ELLENDER. Do you not believe that at least 90 percent of it comes from that area then.

General LEMNITZER. I think that is a fair estimate; yes, sir.

Senator ELLENDER. Now, you have indicated that 38 percent, as I recall, of the amount of this budget for military assistance, goes to Western Europe?

General LEMNITZER. That is correct.

Senator ELLENDER. And that does not include Turkey and Greece?

General LEMNITZER. That is right.

#### CONTINUATION OF ASSISTANCE TO EUROPE

Senator ELLENDER. So that the countries in Western Europe would include the British, the French, Italy, Spain, and Portugal.

Now, in view of the fact, General, that we have spent so much money in Western Europe and in view of the fact that those countries' economies are so much better than they have ever been, why should we continue to give this assistance?

General LEMNITZER. Well, for one reason——

Senator ELLENDER. Do not say they are not able now, because they are.

General LEMNITZER. Not in all respects, Senator, because they do not have the kinds of weapons and equipment that we are talking about in this presentation.

Senator ELLENDER. Could they not purchase them from us rather than get them by donation?

General LEMNITZER. The objective of this program is to improve their capability; that is, their military capability. That, after all, is the final objective of this program so as to put them in a better position with respect to those Communist forces which they face. I am talking here about some of our latest missiles, our latest aircraft, and items of that general character.

#### PERCENTAGE OF GROSS NATIONAL PRODUCT DEVOTED TO DEFENSE

Senator ELLENDER. As I pointed out the other day, we are spending more than 10 percent of our own gross national product whereas France is spending about 6 or 6½ percent.

The British are spending about 7 percent.

Notwithstanding the improvement in the French economy, and notwithstanding over \$8 billion we have already given France, this budget provides for France.

Now, how can you justify that when in answer to a question by Senator Chavez, you stated that of the ——— divisions, ——— are being used to kill Arabs in north Africa?

General LEMNITZER. I am not in a position to answer the question on the economic side of this particular program.

Senator ELLENDER. You have been there lately; have you not?

General LEMNITZER. I was there a year and a half ago.

Senator ELLENDER. You were there 4 or 5 years ago?

General LEMNITZER. Yes.

Senator ELLENDER. How did it compare 4 or 5 years ago with the present?

General LEMNITZER. It is much better now than when the military assistance program started.

Senator ELLENDER. Has France ever been in better economic condition than she is now?

General LEMNITZER. That I do not know—the indications are, however, that they are better off economically today than in 1950 when the military assistance program started.

Senator ELLENDER. I can tell you she has never been in a better position than she is now. Assuming that is true, and I believe the records will prove that it is, why should we, in the face of what France is doing now, continue to give grant aid to France?

General LEMNITZER. On the military side, Senator, we are not happy about the removal of these divisions from Europe.

Senator ELLENDER. I know you are not, but even though you are unhappy, you still furnish them ——— in contrast to ——— last year. Now that is what I cannot understand.

Mr. SHUFF. Senator, may I answer that?

Senator ELLENDER. Yes; proceed. I would like to have it explained.

#### PERCENTAGE OF FRENCH EXPENDITURES FOR DEFENSE

Mr. SHUFF. My best estimate is that the French are spending 6.8 percent of their gross national product.

Senator ELLENDER. I said a little over that. I didn't miss it much. I was citing from memory.

Mr. SHUFF. For their defense budget, that is right. They have a war on their hands. The war that they have on their hands is recognized by NATO. The northern provinces of Algeria are part of the area of the world that is under the NATO umbrella.

Senator ELLENDER. If that is true, why don't you send other troops there to protect them, because you would be bound to do it, would you not, under our NATO alliance?

Mr. SHUFF. This would not be a U.S. decision, sir. This would be an international decision to make. I think that it is a private French affair, and I think SHAPE and NATO feel that way.

Senator CHAVEZ. And then we still talk about a free world.

Mr. SHUFF. Sir, I must not attempt to talk about the political significance of this. Next week, when you have specific State Department witnesses for this area of the world, I am sure they will be equipped to talk to you about it. My responsibility is military, and I cannot deal with that side of it.

We are attempting to work out with France a sale for most of this equipment—I won't even say most of this equipment, I will say a portion of this equipment—a credit sale.

#### DILLON-MONNET AGREEMENT

Now the Dillon-Monnet agreement is an agreement by which we will advance and pay for, in dollars, some of the requirements that France has out of U.S. production, for which is made available to us an equal amount of francs, so that we may buy from French production the needs of some other portion of this program.

We have not yet been successful—and here I must refer you to the State Department again—in our negotiations to have France pick up a greater portion of this bill. This is what we, the Joint Chiefs of Staff and the Department of Defense, feel France has to have in order

to keep their forces in the kind of shape that we think is necessary for SHAPE and for our security.

The negotiation is something which has moved slowly. We tried to do it, unsuccessfully, in 1959. We are going to try again in 1960. I would suggest, sir, that next week when we talk about Europe as a specific region, and have the State Department and our military witnesses here who are responsible for that area, that we go into this question a little deeper. But this is not going to be completely grant. We are starting away with the idea that we are going to sell these people a major portion of this amount of materiel.

Senator ELLENDER. All right, if that is true, why do you need cash at all?

Mr. SHUFF. I can explain that, sir.

#### TRANSFER OF EXCESS MILITARY STOCKS

Senator ELLENDER. Let me give you the reasons given by the GAO: that stocks excess to the military services which should be transferred to the military assistance program without charge.

That is the way it has been done in the past in a good many instances, has it not?

Mr. SHUFF. Yes, sir.

General LEMNITZER. It has, but those stocks have practically run out, Senator. When we started this program, we had a considerable amount of excess from World War II which we did transfer without cost or with very little cost to the military assistance program.

Senator ELLENDER. Will you put in the record the amount of excess stocks you have on hand now?

General LEMNITZER. Very few in all services today; I can say that definitely.

Mr. SHUFF. Senator Ellender, may I supplement that point, please sir?

To give you the amount of excess stocks on hand as of the moment would not be very significant. While General Lemnitzer is entirely right, in that we have given most of our friends around the world the excess stocks that were generated as a result of World War II and the Korean war. As we go forward, other things become excess. But to cut it off at any given point and say this amount is excess, it may be something that is uneconomic to our service, that we have no need for. We will not take excess just on the basis of the fact that it is excess to the U.S. Army, the Navy, or the Air Force.

#### TOTAL EXCESS STOCKS

This program has benefited cumulatively worldwide through June 30, 1959, to the tune of \$1,388,834,000 in excess stocks.

Senator ELLENDER. That is in addition to the cash?

Mr. SHUFF. That is correct.

Senator ELLENDER. That is all cost to us, of course, in addition to what we have already done?

Mr. SHUFF. Sir, that is acquisition cost of the materiel before our services got through using it. Acquisition cost to them.

Senator ELLENDER. When you say "to them" you mean out of the moneys that we appropriated and with which we purchased from ourselves these hardware items and turned them over to them?

Mr. SHUFF. The estimate of excess stock I mentioned is what the Army, Navy, and Air Force, or the Department of Defense, got from Congress to buy for themselves. This is how much it cost them.

Senator ELLENDER. When you say "them" though—

Mr. SHUFF. The American public, sir.

Senator ELLENDER. I thought you meant them. In other words, the cost to us.

Mr. SHUFF. We happen to be a customer. I say "them" because we are a customer of theirs.

Senator SALTONSTALL. Will you yield for a comment?

Senator ELLENDER. Yes.

Senator SALTONSTALL. You will recall, Senator Ellender, that there is a difference between the Army and Department of Defense of between \$275 million and \$117 million on the excess stocks that the Army thought they had—that was originally credited to the Army and was wrongly credited. That would seem to be right along the line of your question.

Mr. SHUFF. Senator Ellender, may I just enlighten the committee one more step on the question that you have raised?

This chart is not in my presentation, but I brought it for exactly this purpose. The program for which we are asking \$1,600 million originally is augmented by \$85 million worth of excess stocks.

Senator ELLENDER. Why did you limit it to \$85 million?

Mr. SHUFF. That is all I could use, sir. It is also augmented by \$325 million of cash sales.

Senator ELLENDER. Where do you get the cash for those? Is that in the \$1,600 million?

#### CASH SALES OF MILITARY HARDWARE

Mr. SHUFF. No, sir; those are contemplated sales in fiscal year 1960 utilizing other people's cash. Germany has already spent with us several hundred millions for military hardware.

Senator ELLENDER. Who else purchased from us?

Mr. SHUFF. Who else has purchased from us?

Senator ELLENDER. Yes. I mean, out of that figure you gave us.

Mr. SHUFF. Approximately 60 nations have participated in our military sales program.

Senator ELLENDER. How much? Can you give us a breakdown of the cash sales?

Mr. SHUFF. I shall be glad to give you a breakdown of our cash sales program if you would like it.

(The information furnished is classified and is available in the committee's files.)

This program is also augmented by two other things. One is \$118 million which we feel are going to accrue to this program. This is on the basis of judgment, because we know the program well enough so that we know places where we think we can get cheaper prices and also some excesses which we have not been able to identify in this figure.

Senator ELLENDER. When you say "this figure," will you identify it for the record?

Mr. SHUFF. This \$85 million figure. With price changes, re-programings and excesses not already identified we expect to amount to \$118 million.

Senator ELLENDER. Where will that money come from?

Mr. SHUFF. It will not be money, sir. It will be changes in prior year programs, that we will get something cheaper for or we will get something from excess.

Senator ELLENDER. And of course it will cost less. But the point I want to make is that this money comes from savings of previously appropriated funds.

Mr. SHUFF. That is right.

Senator ELLENDER. They are all American dollars?

Mr. SHUFF. That is right.

Senator ELLENDER. All right.

Mr. SHUFF. That is all, sir.

#### PUBLIC LAW 480 PROGRAM

Senator ELLENDER. Now I thought we also had the Public Law 480 program which the military also has access to. Can you tell us something about that?

Mr. SHUFF. I would like to defer to Mr. Murphy on that subject, sir, if I may.

Senator ELLENDER. That is in addition to what you are asking for, Mr. Murphy?

Mr. MURPHY. Yes, sir. Under section 104(c) of the Public Law 480 program local currencies can be made available to countries for procurement of military supplies, equipment, and services within that country.

Senator ELLENDER. How much have we used? Can you name the countries?

Mr. MURPHY. I don't have that here, Senator, but I will be happy to put a table in the record.

Senator ELLENDER. All right. All of that is in addition to what is being requested for military assistance, Mr. Murphy?

Mr. MURPHY. Yes. You understand, of course, in relative terms the table will show this is a small figure.

Senator ELLENDER. I know that, but it is to be added to this request?

Mr. MURPHY. Yes sir. Further, of course, it will be for supplies and procurement services which can be bought with these local currencies. It does not require dollars to finance. But I will put a table like that in the record at this point.

(The table referred to follows:)

#### Military budget support, Public Law 480, sec. 104(c)

[In thousands, U.S. dollar equivalent]

| Country             | Actual fiscal year 1958 | Actual fiscal year 1959 | Estimated fiscal year 1960 |
|---------------------|-------------------------|-------------------------|----------------------------|
| Iran.....           | 2,237                   | 144                     | -----                      |
| Pakistan.....       | 20,930                  | 1,990                   | 11,000                     |
| Turkey.....         | -----                   | 82,280                  | -----                      |
| China (Taiwan)..... | 766                     | 8,670                   | 7,000                      |
| Korea.....          | 47,800                  | 42,400                  | 33,000                     |
| Philippines.....    | -----                   | 2,100                   | 1,000                      |
| Vietnam.....        | -----                   | -----                   | 2,000                      |
| Total.....          | 77,726                  | 104,898                 | 57,000                     |



## ITALIAN DIVISIONS IN NATO

Senator ELLENDER. Do you know if Italy is complying with her NATO agreement on troop strength. How many active Italian divisions are there now? Do you know?

General LEMNITZER. Yes sir, I do. ———.

Senator ELLENDER. Is that in NATO?

General LEMNITZER. That is within NATO.

Senator ELLENDER. How many of those are active and properly equipped?

General LEMNITZER. They are all active, ———.

## ITALY'S DEFENSE EXPENDITURES

Senator ELLENDER. Do you know what percentage of Italy's GNP is used for defense?

General LEMNITZER. I am sure we have it right here, Senator.

Mr. SHUFF. The last report that we have, sir, is 3.6. But I know, sir, it is up from that.

Senator ELLENDER. It is 3.6, sir?

Mr. SHUFF. The last known, which was a 1958 estimate, was 3.6 percent. But I know it is up from that now.

Senator ELLENDER. Now I am sure you have learned of the prosperity presently existing in Italy. Yet, you are programming military assistance for fiscal year 1960. How can you justify such a vast sum?

General LEMNITZER. On the basis of a military requirement.

Senator ELLENDER. I understand that, but the point I am trying to make is, General, they may need that but why can't they themselves do more for themselves? As was pointed out in 1958, Italy spent less than 4 percent of GNP for defense. No wonder she is getting so prosperous. We furnish a good deal of her NATO requirements. This I cannot understand.

You people permit such a thing to occur no matter the impact on our own economy.

General LEMNITZER. They are furnishing the thing which they can best furnish—that is, manpower.

Senator ELLENDER. That is what Churchill said, too, at one time, but we ended up having all of our boys abroad in World War II.

General LEMNITZER. I was in Italy most of World War II, Senator. I was in Italy a year ago and the Italian forces on the southern front, which are backed up by a missile command of ours, are good, as are their air forces and their naval forces.

This equipment, proposed under this program, is to modernize those forces and to improve their military capability which contributes to overall NATO strength.

Senator ELLENDER. Is any effort being made to get them to pay, as you say you hope to do with France?

General LEMNITZER. So far as I know, there has always been an effort to have all nations involved do more and more for themselves.

Senator ELLENDER. How are you succeeding? You don't seem to be succeeding too well, because you are giving Italy almost the same amount as last year.

Mr. SHUFF. A little less, sir. ——— million as against ——— million.

Senator ELLENDER. That is right; I am sorry.

## ECONOMIC CONDITIONS IN ITALY

Mr. SHUFF. May I say this? I am not an economist and I think perhaps this question might better be directed to the regional people when they come up. However, I will say this, sir: I have been to Italy about four times on this tour. While I find great prosperity in Rome when I go to Rome, I don't find so much prosperity around Naples, Bari, Tarranto, and lots of places in southern Italy, which is dragging the country down very materially.

When you go north of Rome and see all of the things that you can buy, I would guess that not many Italians have Florentine leather in their homes, and that kind of thing. I also happen to know that Fiat is doing a pretty good business in northern Italy, and there are others that are doing this. But when you take Italy you must take Italy as a whole, and south of Rome there is a very serious and substantial economic drag on the Italian economy.

Senator CHAVEZ. What about our installations at Naples? Haven't we a big naval installation there?

Mr. SHUFF. Yes, sir; we have, and SHAPE has an installation there.

Senator ELLENDER. For your information, I am not personally familiar with the prosperity in Italy because I have not been there within the last 10 years, but I have been in the rest of Western Europe recently and I can say the countries have never been as prosperous.

Mr. SHUFF. I agree with you.

Senator ELLENDER. It is true that in southern Italy you don't have the prosperity that you may have in northern Italy, but that also applies in the United States.

Mr. SHUFF. Sir, I don't believe they are comparable. Let's not forget that at the end of World War II Italy was zero.

## TOTAL EXPENDITURES FOR ITALY

Senator ELLENDER. I was there in 1946. As I remember we have given Italy about \$6.5 billion since my visit in 1946. That is my recollection. I may be in error by a few million dollars, but the figure is approximately correct.

Senator ELLENDER. I notice that you are programming \$40 million for NATO infrastructure for fiscal year 1960. Now why should we spend that?

Mr. SHUFF. Yes, sir. This is our attempt to grind a little more mutuality into this program, Senator. Those amounts of money are related to some degree of matching an amount that our NATO allies will supply in order to make up a whole.

## MUTUAL WEAPONS DEVELOPMENT PROGRAM

The \$40 million that you speak of, I believe, is for the mutual weapons development program.

Senator ELLENDER. No, this is for infrastructure. No, infrastructure is \$70 million and mutual weapons is \$40 million. You are correct.

Mr. SHUFF. I see. I will deal with all four of them, if you like.

Senator ELLENDER. Let us take the \$40 million item first, there. If a weapon is developed through this program, how do we fare?

Mr. SHUFF. How do you mean, how do we fare?

Senator ELLENDER. Do we get it free of charge?

Mr. SHUFF. No, why should we? We have only shared. We get the information that comes out of the research and development, we get all of that. But we do not get the weapon, because we have not paid for the weapon.

Senator ELLENDER. If the research gives us information can we manufacture the weapon?

Mr. SHUFF. Yes, sir.

Senator ELLENDER. We get all of that information?

Mr. SHUFF. Yes, sir.

Senator ELLENDER. Free of charge?

Mr. SHUFF. Free of charge.

#### SS 11 ANTITANK WEAPON

Senator ELLENDER. Evidently we are not going to get this information on the SS 11 antitank weapon free of charge. I understand that they are asking for royalties on this weapon. I will quote from a confidential document which I have here, and it reads as follows:

And we have spent quite a few million dollars to help develop this.  
(Discussion off the record.)

Mr. SHUFF. I would say, sir, in answer to that, that the proof of the pudding is in the eating. The Army has not signed up with them. I would think that if the French could identify some special costs that they have had in their part of the research and development conceivably they might make a good case. But the Army has not signed up for the weapon.

Senator ELLENDER. I understand that, but you are negotiating.

Mr. SHUFF. We are negotiating.

Senator ELLENDER. That is what the French are asking for.

Mr. SHUFF. Well, we are not giving it to them.

#### PAYMENT OF ROYALTIES TO FRANCE

Senator ELLENDER. Why should they ask anything at all? They have obtained from us a good deal of knowledge already and I would just like to know why it is that, since this program is to be mutual, and since it is to be for the benefit of France as well as us, they should have the temerity to ask for royalties on the production of this weapon?

General LEMNITZER. Senator, the SS-10 and 11 series was begun before the mutual development weapons program even started and the large amount of research and development was done outside on the initial SS-10, before we even indicated an interest in it. Recently we have bought a considerable number.

Senator ELLENDER. You bought them from France; did you not?

General LEMNITZER. Yes; we are.

Senator ELLENDER. You are buying from them at a profit to them?

General LEMNITZER. It was developed by a private company.

Senator ELLENDER. By a private company?

General LEMNITZER. Yes.

Senator ELLENDER. Not altogether?

General LEMNITZER. Not entirely; no.

Senator ELLENDER. The French Government helped?

General LEMNITZER. It was a combination of governmental and industrial.

Senator ELLENDER. The same as we have at times. We have the same setup here.

General LEMNITZER. That is right. But with respect to the mutual weapons development program, I would like to get that straight for purposes of the record. When anyone turns over the development of an item that is encompassed within the mutual weapons development program it is actually an exchange of research and development knowledge so as to provide all the nations that are involved with the best possible research and development information so that they can, if they wish, initiate production of that item for their own forces.

The SS-10 was developed before this particular program was started.

Senator ELLENDER. But France would not be willing to let us have some of that, as we let them have some of ours? Does that make this a mutual aid program? I doubt it.

General LEMNITZER. The problem is comparable to the situation if some industrial firm in the United States—

Senator ELLENDER. No; this is Government, General. It started out, as I understand, with a private concern, but now the French Government is asking for this, not the private company.

Mr. SHUFF. Sir, the corporate entity is not comparable to anything in the United States. We do not have in the United States corporate entities of this variety. I will agree with you that the Government is in this company. I will agree with that. But the Government demands that the company make a profit or loss. It is not as though it were a Government corporation that did not require careful accounting of all of the money. The money has to stand on its own two feet. I will agree with you that the French Government is in there to some extent.

#### AMORTIZATION AND ROYALTIES ON MUTUAL DEFENSE WEAPON

Senator ELLENDER. They are in there, and they are demanding the—— in order to pay amortization and royalties on a weapon that is for the mutual protection of France, the United States, and everybody concerned in Western Europe.

Mr. SHUFF. Senator, you are on a subject that is one of the headaches of this program.

Senator ELLENDER. Yes; and I am surprised that you continue to give them money to the tune of \$40 million to continue this program if we cannot get the products developed.

Mr. SHUFF. May I finish, please, sir? You are on the headache of one of the toughest things that this program deals with; that is that, all of the countries that we program for are national entities of their own. We don't go over and club them. We negotiate with them. They have their national prerogatives. The mere fact that we are not buying this high percentage of royalty seems to me to be proof that we are not going to be hornswoggled into this kind of thing.

Now we have negotiated other things with France where they have started off with some pretty outstanding demands and we have negotiated them down into what has ended up in a fairly businesslike arrangement. Until we make the mistake of paying this money—

and I hope we don't—I would say that we must not tar the whole mutual weapons development program with the brush that it is no good simply because France won't make this available to us at no cost.

Senator ELLENDER. Mr. Chairman, I realize that I am trespassing on the time of other Senators who wish to ask questions, but is it not a fact that the SS-11 missile will take the place of the Dart missile which has been abandoned by the Army?

General LEMNITZER. That is right. The SS-10 had the initial capability we had been looking for, and it had the expansion potential, and we thought it was a much more economical weapon. It was one that was already developed, and we needed such a weapon right quick, and we adopted the SS-10.

#### JUSTIFICATION OF WEAPONS PRODUCTION PROGRAM

Senator ELLENDER. Will you justify the weapons production program of \$20 million for Western Europe? Aren't they capable of doing that themselves? This program has been increased from \$4 million to \$20 million. Will you justify that for us?

Mr. SHUFF. Yes, sir.

Senator ELLENDER. All right.

Mr. SHUFF. I feel very responsible for this one, Senator, and if this one is wrong, I am the one that is wrong. In December of 1957 Mr. Wilson went over to Europe and indicated that he thought the way to get the Europeans interested in the modern production was to give them a sample weapon. That became known as the sample weapons program. The following year when President Eisenhower went over to attend the NATO meeting—

Senator ELLENDER. Was that in 1955?

Mr. SHUFF. When President Eisenhower went over to the NATO meeting he enlarged on this and said that since the Russians were farming out a good deal of their research and development and some production that this made sense to do so with our NATO allies.

#### HAWK MISSILES

Rather than just give them Hawk missiles—this is what we are talking about here, this \$20 million relates to Hawk missiles, a medium-range ground-to-air missile—he indicated that what we would do is share our technical know-how with them if they would join with us in the production of the weapon.

What you are saying here, sir, has now come to pass. There is a company—the countries who will do the production—are Italy, Germany, France, Belgium, and the Netherlands. They will also be the customers for the major portion of the production of this weapon, so that we expect them to spend the equivalent of \$400 million in their own money to buy a number of battalions of this weapon. This is in exchange for what we will do in the way of making technical assistance available to them. The idea being, of course, that if we can show them where they can make some money producing a weapon which they will buy and support with their own currency we are that much better off and do not need that money which we would spend for the purchase of those weapons here for transfer to them under grant-aid arrangements.

Senator ELLENDER. Are we going to get the \$20 million back?

Mr. SHUFF. No, sir; we don't expect to get it back, but we expect to get \$400 million in Hawk weapons for it.

Senator ELLENDER. The \$400 million for Hawk weapons won't be for us; it will be for our allies.

Mr. SHUFF. That will also be for us, sir.

Senator ELLENDER. I understand that. All we are spending here is also for them. We are spending more than \$40 billion on our own military establishment. That is for them as much as for us, is it not?

General LEMNITZER. That is right. It is a mutual effort all the way around.

#### TOTAL DEFENSE APPROPRIATIONS

Senator CHAVEZ. We just passed last week the Defense Department appropriation bill. By the time we get through with military construction it will be \$41 billion.

Mr. SHUFF. That is collective security, Senator Chavez.

Senator CHAVEZ. Well, I think it is necessary.

Senator ELLENDER. Mr. Chairman, I have many more questions, but I will wait until the detailed presentations are given.

Senator STENNIS. Senator Dworshak.

Senator DWORSHAK. I think while we are talking about the amount of money spent abroad it is pertinent to point out that the U.S. defense expenditures entering the international balance of payments, say, for the fiscal year 1959 amounted to about \$3½ billion.

I think as we talk about the mutual sharing of costs and expenses and manpower, and everything, that we ought to be aware of the fact that we are spending this very colossal sum in direct payments to our own forces abroad. That is generally overlooked.

Now I am not going to take too much time, Mr. Chairman. I appreciate that the general has had extensive experience in many foreign areas, particularly in the Pacific, the Far East, and he has great responsibilities on this new job. And I think many of us have a profound regard and respect for him. I think that we ought to be more realistic, and I am sure you will, General, as you approach the solution of many of these problems.

#### NATO MANPOWER

A few minutes ago you mentioned manpower. You mentioned that they were qualified in Europe and elsewhere to provide manpower. Let us look at NATO and be realistic. If you leave out United States and Canada, the other countries in NATO have about 450 million people. Recently there have been disclosures which have been classified until recently showing that we have only 20½ divisions, and not wholly recruited. When you take the 5½ divisions that we have and the ——— divisions of West Germany, that leaves only 9½ divisions for all other NATO countries. Is that correct?

General LEMNITZER. That is for the central region of NATO, only.

Senator DWORSHAK. For Europe?

General LEMNITZER. The central region does not include Greece, Turkey, or Italy.

Senator DWORSHAK. What is NATO?

Mr. SHUFF. The central region of NATO, sir, only includes Belgium and Luxembourg, France, Germany, Netherlands.

General LEMNITZER. The M-day forces committed to NATO are Belgium-Luxembourg, ——— divisions; Canada, ——— division; France, ———; Germany, ———; United Kingdom, ———; and the United States, 5, a total of 21½ divisions. That is central NATO.

Now for the southern European area, Greece, ———; Italy, ———; Turkey, ———. These are separate units distributed along their frontiers bordering on the U.S.S.R. or its satellites.

#### DEPLOYMENT OF GREEK AND TURKISH FORCES

Senator DWORSHAK. Where are those Greek and Turkish forces deployed?

General LEMNITZER. In southern Europe, within their own territory.

Senator DWORSHAK. So they do not contribute anything to the central European NATO setup?

General LEMNITZER. That is correct.

Senator DWORSHAK. That is what I understood.

General LEMNITZER. That is correct.

Senator DWORSHAK. Now recently there was an article in the Star, I think you read that Associated Press article, showing that the NATO forces were spread thin and for the first time I saw the publicity regarding the 20½ divisions. You saw that?

General LEMNITZER. Yes, sir.

#### EFFECTIVENESS OF NATO FORCES

Senator DWORSHAK. That has been classified, although I know members of the committee have seen that in the press during the past year. Now I am not going to belabor that, but I want to call your attention to some testimony received by this committee on June 9. It is more or less classified. It is marked "top secret," in the possession of the appropriate committee office, from General Norstad. We have had testimony in previous years from General Gruenther, when he was the commander of SHAPE. I have been one of those who has doubted, as I am sure Senator Ellender and other members of the committee have, that NATO forces are not the realistic shield we are told to expect from that source.

After having some real pertinent testimony from General Norstad, I asked him this question—I am reading from the testimony of June 9, 1959.

General, what happens if your shield forces are overwhelmed promptly?

General NORSTAD. They could be overwhelmed, but if they are overwhelmed, that means a decision has been made to start World War III. That means that the Soviets have decided they want to destroy Russia among other things. If they have taken this decision, these shield forces will not alter that decision.

I said,

That means also, that if NATO forces are inadequate the full responsibility of meeting the Communist threat devolves upon the United States?

General NORSTAD. That is correct, sir. Of course the United Kingdom Bomber Command makes its contribution.

Now I quote that to you because I can recall testimony that we have had from General Lemay when he was head of the Strategic

Air Force indicating that we are placing entirely too much dependence and reliance upon NATO as a shield force and that in the event of a real attack by the Soviet forces we would have to rely upon SAC.

#### COOPERATION FROM NATO COUNTRIES

Now I am calling this to your attention because I think as a realist, and I consider you that, and you must be in the discharge of your present duties, do you think we are getting the full cooperation from the NATO countries, whether it be in manpower or modernizing equipment? Do you think that we are getting real mutuality in this program?

General LEMNITZER. I think we are getting mutuality, but the degree of it is anyone's opinion. I believe, and I believe it would be the views of the Joint Chiefs of Staff, that we would like to see more effort from the countries concerned. I feel, however, Senator, that we have come a very long way since this program started. When this program started there was practically nothing but a corporal's guard in Western Europe to prevent the Soviet from overrunning Europe. In my opinion, it was an open invitation to attack.

I might say we have come a very long way by setting up a command organization over there that can control the situation a lot better. Although there is still something to be desired on the part of what these countries are doing, I would say that we are making progress. The fact that there has not been any attack in Western Europe since this particular program started is the best evidence of its worth.

Senator DWORSHAK. Isn't that a psychological result rather than the fact that these forces have been a deterrent in preventing any assaults of any kind, or any aggression?

General LEMNITZER. I think the forces which have been built up have been a deterrent.

Senator DWORSHAK. Psychologically?

#### EFFECT OF MILITARY SECURITY ON EUROPEAN RECOVERY

General LEMNITZER. Yes, I do. I think the fact that these forces have been built up in Europe has been largely responsible for the recovery of Europe. I recall, in the earlier days of this program when the Marshall plan was underway and there was no military assistance program. I felt at that time the Marshall plan was not making the progress that it should and could make if there had been military security in Europe. In other words, I felt that without some military security in Europe, there could not be much economic security. As a matter of fact, I take greater pride in having had a hand in the early days of this program than in anything else I have done in my entire service.

Senator DWORSHAK. In military assistance?

General LEMNITZER. Yes, sir. I was the first Director of the Department of Defense side of the program. I think there has been tremendous progress made in this area.

Senator DWORSHAK. When NATO was set up it was envisaged that there would be 60 divisions. You got one-third of that 10 years later.

General LEMNITZER. There have been various estimates of the requirement. General Norstad is constantly keeping this under review, as are the chiefs of the staffs in the countries concerned.



## EXTENT OF EUROPEAN COOPERATION

Senator DWORSHAK. You feel we are getting full cooperation from the NATO countries and our allies in Europe, particularly, who recognize the essential need of not only cooperating with us but of defending themselves against a possible threat from behind the Iron Curtain? Do you feel they are going all out in every way to give us maximum cooperation?

General LEMNITZER. I would not go so far as to say they are going all out. As a matter of fact, they probably don't think that we are going all out either, Senator. Everything is relative in this field. As I indicated before, I would like to see greater effort on the part of our allies along with the efforts that we are making.

Senator DWORSHAK. Now I think you put your finger on it when you say that possibly our allies feel we are not going all out. We are spending a lot of money, we are spending \$3½ billion abroad on our military forces alone, as has already been pointed out. And we are going far afield in every possible way in the development of atomic energy and in every phase of missile development and jet planes and everything else. We are going all out. We went \$12½ billion in the red in the last fiscal year. I don't know how much farther we can go without going broke.

General LEMNITZER. I believe the record will show that for every dollar we have spent to help them, they are spending \$7 in their own behalf. But there are countries that are doing more than we are.

## KOREAN EFFORTS

I happened to have been in one recently—the Republic of Korea. For example, the load that they are carrying in relation to their fiscal resources is much greater than ours.

Senator DWORSHAK. Yes, General; I share your pride in the contribution being made by Syngman Rhee and the Korean people. They are a great nation. But if we become involved in some actual aggression there, you and I know that the Korean forces will not accomplish much, or in Taiwan. They can't on their own do very much. President Eisenhower served notice on the Reds that if there is an attack on that area it will be construed as an attack against the United States, and we will retaliate in every possible way.

Psychologically, that threat of retaliation is what is holding the line in the Far East. Will you agree with me on that?

General LEMNITZER. Not entirely; no sir. But I would like to make this very clear about the Republic of Korea. If there is any nation that will stand up and fight with us in the event of an attack, I would place my money on the Republic of Korea. They have been through this. They have been one of the few nations in the free world that has been subject to Communist aggression; they know what it is.

I think that while there may be doubt about some nations standing up and fighting with us, there is no doubt whatsoever about the Republic of Korea.

Senator DWORSHAK. I agree with you fully in that statement, but I must contend that their own resources are extremely limited.

General LEMNITZER. That is correct.

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Senator DWORSHAK. And to that extent they cannot accomplish too much without our active support.

General LEMNITZER. That is absolutely correct.

Senator STENNIS. Thank you.

Senator BIBLE?

Senator BIBLE. I have no questions.

#### STRENGTH OF GERMANY AND JAPAN

Senator MONRONEY. I want to apologize for not having had the experience on this committee that the other members have had. I haven't had the privilege of going through these figures, but would you not say that among our allies, Germany and Japan offer a substantial amount of military power?

General LEMNITZER. Yes, I do, because they have demonstrated in the past that potentially they are very strong military powers because they have the manpower, they have demonstrated that they are good soldiers; and they also have industrial capacity to back up and support their military forces.

Senator MONRONEY. I notice in the figures that the amounts for military assistance to these countries are relatively minor. Other countries such as Belgium or Holland seem to have had a great deal more aid than these countries which have demonstrated a remarkable recovery from total defeat and can represent an outstanding amount of military strength.

I am just trying to analyze these figures. I don't know how they do so well while we have to give so much aid to a country like Belgium whose financial position today is far better than ours. Holland I believe is in the same way.

#### PSYCHOLOGICAL IMPACT OF DEFEAT IN WAR

General LEMNITZER. In the case of both Germany and Japan, the buildup of military forces presents other than economic problems. I happen to be acquainted with this problem in Japan. The psychological impact of defeat in war, and this has also been the case in the past with respect to Germany, has been a barrier with respect to the buildup of military forces.

In the early days of NATO there was great restriction on Germany for building up of any forces, and it was only in the early fifties that it was agreed that Germany could raise forces as large as a division when they came into NATO. I am not sure that I get your question, Senator. Is it why so little money should go into Germany and Japan?

Senator MONRONEY. Why they have been able to make such a remarkable military recovery with so little aid, from a state of complete defeat, complete destruction of many of their plants, and things of that kind, while we have had to extend such great help to the countries that were victors in the war?

General LEMNITZER. I don't believe that Germany and Japan have made a complete military recovery to date, Senator.

Senator MONRONEY. I have heard General Norstad testify as to the quality of the German forces. There are no other forces in Western Europe for which he has higher regard. I think I have heard you brief our delegation as to the forces of Japan. It looks to me like our two strongest military allies have had a relatively small amount of

aid and performed beautifully, whereas the others that we have aided by tremendous amounts are not leaving their troops in NATO, are forcing us to take our bases out of France at a great expense, and are diverting their fleet to their own purposes.

I wonder whether we are getting the value that we are putting up.

Mr. SHUFF. Senator, may I supplement what the general has said, please?

In the first place, both Japan and Germany were practically economically leveled. They were militarily leveled, too. As far as Germany is concerned, they benefited greatly.

Senator STENNIS. Pardon me just a minute, gentlemen. If I may just observe this. Some of us are staying here to get your statement, Mr. Shuff, and your testimony. It is getting along in the day and Mrs. Langer is to be buried, the funeral is at 1 o'clock. So I say rather than deal in these general aspects about Japan and Germany being leveled, let us get down to the point, if we may, and get to Mr. Shuff's testimony.

Now, if we may, let's shorten our answers and questions, but not in substance.

Proceed.

Senator MONRONEY. I was just trying to raise the question of why we get so much for so little and so little for so much.

Senator STENNIS. That is a very good question. I have just two questions for the general.

Senator ELLENDER. I have one more question.

#### TROOPS IN KOREA

General, can you let us know specifically the number of soldiers in South Korea other than the Rok's and ours?

General LEMNITZER. Yes, I can.

Senator ELLENDER. And who pays for the logistics, who pays for the support of all these soldiers, because we have an item of \$10.5 million that our Government is paying for. I want the record to show whether or not we do pay all of it or part of it.

General LEMNITZER. I can provide that, Senator.

Mr. SHUFF. I can provide it now, Senator, ——— men.

Senator ELLENDER. And we pay the logistics?

Mr. SHUFF. We do, sir.

Senator ELLENDER. Even the English, the Turks, and everybody?

Mr. SHUFF. We pay for the Turks, Thai, United Kingdom, France, Ethiopia, and Greece.

Senator ELLENDER. Why can't we make them pay their own soldiers, feed them, and so forth?

Senator STENNIS. Senator Bible, you did not have any questions?

General LEMNITZER. Senator, could I answer that question?

The fact that they have that manpower there is important to us, Senator Ellender. It reduces the need for U.S. manpower. I am not in a position to determine whether they can pay or cannot pay for their support but having the Turkish brigade and others in being there lessens requirement for American troops in Korea.

Senator ELLENDER. I know your answers.

General LEMNITZER. But that is important, Senator Ellender.

Senator ELLENDER. Certainly it is. I just can't agree with you, that is all.

## DECISIONS ON MILITARY AID

Senator STENNIS. General, may I ask you this? After all, as to the extent of this military aid now, who makes the decision on that, the ultimate decision? Is that the Department of State or the Department of Defense?

I know you gentlemen advise with them extensively, but after all, who really sets this figure? The Department of Defense or the Department of State? I think if we can get a clear-cut answer to that we could better understand your problem.

General LEMNITZER. I will ask Mr. Shuff, who is running the program for the Department of Defense. I am representing the Joint Chiefs.

Senator STENNIS. We are going to get to him later. General, here is my purpose. May I say this? You give us your military opinion, and so forth, about how disastrous it would be to do this or fail to do that. I would just like to know whether that is your real military opinion or whether it is under the wraps, and this is not criticism of anyone.

I have the idea that the Department of State made the ultimate decision here about the figures. Of course, the President makes the final one. It is not the Department of Defense. The Joint Chiefs do not set these figures, do they, on this military aid?

General LEMNITZER. The actual figures; no. The Joint Chiefs are more involved in the military goals and the hardware which will build up the capability of these forces. Now the development of the program starts in the military assistance advisory groups in the countries concerned. Those recommendations are worked out in coordination with the countries concerned and submitted through the unified commanders to the Joint Chiefs of Staff.

The actual dollar figures are not determined within the Joint Chiefs of Staff.

Senator STENNIS. Well, we have to deal with dollars here, you see.

General LEMNITZER. Yes, sir; I realize that. So do we in our active U.S. Military Establishment.

Senator STENNIS. So you really set forth the need then from the military level, and from there someone else takes it on?

General LEMNITZER. The Joint Chiefs submit their recommendations on programs to the Department of Defense. There it is translated into dollars and there it is coordinated with the Department of State.

Now to give you a specific answer as to where in the U.S. Government these overall figures are established, I would have to defer to Mr. Shuff.

## GERMAN RECOVERY

Senator STENNIS. All right, we will take that up with him. Let me just observe this. I realize that we must have NATO and we must keep it going. I have been three times to Germany, and I certainly am not anti-German, but that powerful nation there, even though devastated by war, started out a few years ago when it did not have any debt, it had no army to keep up, no navy to keep up, and with our aid and the other aid they have worked hard and have had a tremendous comeback. And for us to go on and

on and on with our forces there protecting Germany in the face of their prosperity, it just is not based on commonsense, it seems to me.

Those things keep coming back to our minds, those very questions. I don't know, but you, the Department of Defense, the President or someone, it seems to me, have to take the lead in convincing those strong nations of that type that they must do more.

I do not say that critically of them, but we are carrying our divisions over there and I have been over on those troopships carrying their children, their families. I have been over there and visited the school buildings and everything. And, by the way, I found an old man over there who is certainly a credit to the Army, General Moses, at Munich last fall, a great fellow, trying to save every dollar he could. But we want something to look forward to when we will not have to continue doing these things, General. We want something we can tell our people back home which is a little more encouraging.

Bear those things in mind when you meet around that Joint Chiefs of Staff table. That is serious business.

#### MODERNIZATION OF COMMUNIST MILITARY FORCES

Now may I refer you to page 3 of your statement. You say that—

At the same time the Communists continue to improve and modernize their military forces worldwide.

That is a very broad statement.

General LEMNITZER. But it is a correct one, Senator.

Senator STENNIS. Military forces worldwide? Are they more modern than ours?

General LEMNITZER. In some respects, but they do follow the same pattern, Senator Stennis, that we do. For instance, in the Asiatic area they are pushing to their North Korean satellite and their Red Chinese satellite the most modern aircraft they have in their own inventory. As an example, also, they have reorganized the North Korean land forces recently with the latest type of artillery.

Senator STENNIS. It seems to me that some of these statements in here are a little extravagant.

General LEMNITZER. No, sir; they are not.

#### POLICY ON MODERNIZATION OF THE ARMY

Senator STENNIS. I say that with deference to you. My goodness, the Appropriations Committee just a few days ago was trying to force the Department of Defense to modernize our Army. General Taylor's most effective statement that I ever heard him make, and you heard him, you were there with him before you came to the Chiefs of Staff, was his belief in the modernization of the Army.

The Appropriations Committee was trying to give you more money. I know, I was author of one of the motions in the writeup of the bill that provided more money for the Army. It finally emerged, as I understood the statement from the Secretary, he was not going to use it. So now when you come back today before this committee and talk about the Russians modernizing their Army and we have to keep ahead, it just does not convince me, because there is another department of the Government that won't use money we are trying to give them to modernize their Army.

General LEMNITZER. That is precisely the reason why General Taylor and I have been and are pressing vigorously to modernize the U.S. Army.

Senator STENNIS. I was with you. I will say the most impressive statement I heard was the statement that you gentleman made—I think it was in January or February—the plea for modernization.

General LEMNITZER. That is right.

Senator STENNIS. So we don't know how to weigh statements like this when they are contrary to the position otherwise.

General LEMNITZER. We can provide you data, Senator Stennis, on this modernization of satellite forces. We can give you the results of our intelligence on that one.

Senator STENNIS. I know. I have been over there, and I have seen some of the need for modernization in some of the NATO countries. I do not want to take any more time. If there are no other questions here, we can proceed now to the Secretary.

We are certainly glad to have you here, Mr. Secretary. You are a valuable witness here before us. You have a statement. Do you wish to put it in the record and summarize it, or do you wish to read it?

I want to get your desires, first. I am not trying to cut you off.

Mr. SHUFF. I would prefer to read it, sir.

Senator STENNIS. All right, if that is what you wish to do.

#### **STATEMENT OF CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY OF DEFENSE (ISA) FOR MILITARY ASSISTANCE PROGRAMS**

##### **GENERAL STATEMENT**

Mr. SHUFF. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate the opportunity of appearing before you to present the President's request for \$1.6 billion of new obligational authority for fiscal year 1960 to carry on the military assistance program.

Congress has now authorized the appropriation of \$1.4 billion for this purpose.

I am here to explain to this committee the imperative need for the full amount of this authorization.

The background against which my statement will be made has been developed through many days and thousand of laborious man-hours of examination of the overall program and the military, political, and economic requirement it must meet.

This has been going on for over a year by searching, painstaking study in many parts of the world. The task has been done in part by our people in the field who initially outlined the requirements on the basis of their on-the-spot examination in widely separated and differing areas and situations.

It has been done by the military assistance advisory groups, MAAG's, the United Commands, the Joint Chiefs of Staff, the three military departments, by my staff, and by myself.

This task has been materially assisted by other agencies of the Government, such as the Bureau of the Budget, the Department of

State, the International Cooperation Administration, and their oversea missions.

During the past 12 months I have personally seen and discussed with our field representatives the progress, problems, and needs of the program in the Far East, in Europe, and in Latin America.

Knowledge of the military assistance program and the circumstances which make it necessary are no monopoly of the executive branch witnesses supporting it.

This year the program has been subjected to more intensive and searching scrutiny than it has had at any time during its life of 10 years.

In recent months many well qualified, public-spirited citizens have rendered great service to our country by giving careful and sober thought to the security interests of the United States and the means we must have to assure them.

It is no easy thing, in these days of perplexing world conditions, to say with certainty and competence what our exact needs are, and what methods, often to be chosen at the cost of painful alternatives, will be most wisely employed to meet them.

It is no great surprise, therefore, that not all patriotic Americans have seen eye to eye.

Of these valuable efforts, the imaginative, thorough and objective analysis of the Draper Committee has probably come to be the best known. The only motive of this group of distinguished and thoroughly qualified men, giving generously of their own time at the President's request, is one which we all share; that is, to evaluate our mutual security effort and recommend ways to improve its effectiveness.

#### THE CONTINUING DANGER

Among the first findings of this committee was that there has been no lessening of the total Communist threat to the survival of the free world; that, in fact, Soviet-Chinese capability to apply military, political and economic pressures is expanding.

General Norstad, Supreme Allied Commander, Europe, only recently stated to this committee that we are faced with a succession of challenges, political, military, and economic, as dangerous in their way as those which originally gave birth to the NATO alliance.

There are many sobering reminders of the continuing threat. One need only look at Iran, in which the question of Communist intentions and pressure is still a matter of free world concern, with implications far transcending the boundaries of the Middle East.

Quemoy, Tibet, Berlin, and Laos are other potential danger points of which you are well aware.

The tension generated by these threats is widely referred to as the cold war. This term does not in fact accurately describe the situation.

An Asian friend and member of the free world has recently said that if we look back to the end of World War II, we will see that the cold war has almost always been hot, somewhere, for some people.

The insidiousness of the Communist strategy is that we never know where it is going to be hot next. Confronted with this strategy, we have only one sound course, that is to maintain the greatest reasonable strength throughout the free world.

## THE PROGRAM FOR FISCAL YEAR 1960

The Congress appropriated \$1.515 billion for military assistance in fiscal year 1959. That appropriation, plus deliveries from prior year accounts, provided materiel and services to recipient countries and international organizations in the amount of \$2.3 billion during the past year.

The delivery of this aid has resulted in better organization, better equipment, and improved training of the military units which received it.

The details of the fiscal year 1959 program are set forth in the presentation books before you.

Regional witnesses who will be appearing next week will be prepared to answer detailed questions on a country-by-country, item-by-item basis.

## FISCAL YEAR 1960 PROGRAM

The planned geographical and functional distribution of the fiscal year 1960 program is shown in percentages on this chart. (The chart referred to appears on p. 211.)

## IMPROVEMENT OF NATO FORCES

Mr. SHUFF. The 38 percent of the money requested for Europe is primarily for improvement of the NATO country forces, and the continuation of a modest program for Spain.

Almost half of the programs for the NATO countries will be used to provide additional missiles, and some new high performance aircraft for necessary modernization of air defense forces.

It should be noted that by the end of December this year all 10 of the European NATO countries whose NATO force objectives call for missile units will have received one or more units of the Nike, Honest John, Corporal, or Matador missile. These missile deliveries are made possible as a result of intensive technical training now being completed.

The additional missiles program for fiscal year 1960 will enable us to maintain and to increase the momentum of this buildup of NATO's missile and battlefield nuclear delivery capabilities.

Most European countries have now assumed responsibility for providing most, and in some cases all, of their own force maintenance requirements, including followon spare parts.

## FAR EAST

The Far East will receive 32 percent of the aid provided from fiscal year 1960 funds.

The most dramatic accomplishment of the military assistance program in this area during the past year was the resistance by the Nationalist Chinese to Communist aggression on the Taiwan Strait.

The Nationalist Chinese, well prepared with MAP equipment, logistic support, and training, in depth, successfully and professionally withstood the Communist assault. The effectiveness of the MAP training and equipment was manifest in all operations but especially in the air battles over the Taiwan Strait.



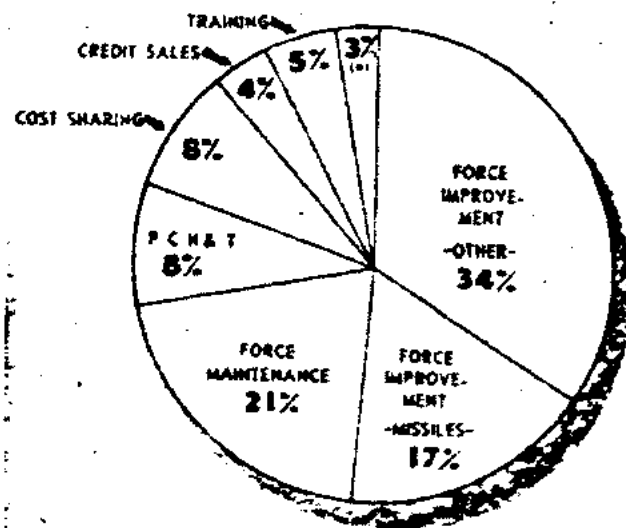
**FY 1960  
PROGRAM**

# MILITARY ASSISTANCE

PERCENT DISTRIBUTION

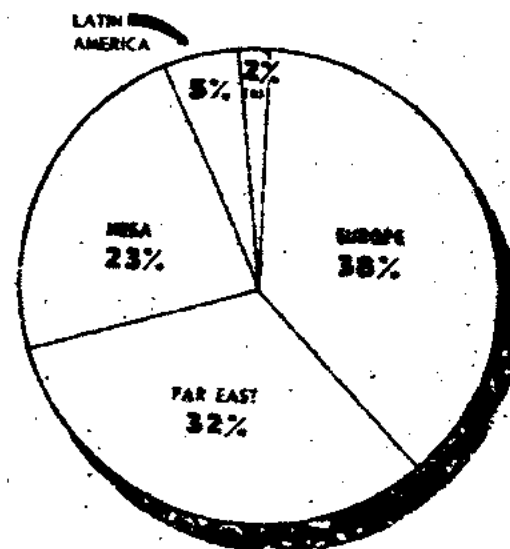
**NOA REQUESTED  
\$1,600 Million**

## BY CATEGORY



\* Non-Regional: Administration and O&P

## BY REGION



\* Other Charges: Administration, UN Support in Korea, O&P, O&M of MAP Installations, Storage & Maint. of Stockpiles.

## PRESENCE OF SEVENTH FLEET

Senator ELLENDER. Would you mind telling us what effect the presence of the 7th Fleet had there?

Mr. SHUFF. I think it had a material effect.

Senator ELLENDER. How do you think the Chinese would have fared except for the 7th Fleet being there?

Mr. SHUFF. I think the Chinese Air Force would have fared just as well as they did.

Senator ELLENDER. So the 7th Fleet was of little aid. Isn't that correct? That is bound to be your conclusion.

Mr. SHUFF. I will answer your question again, Senator. I think the Chinese Air Force would have done just as well.

Senator ELLENDER. Except for the 7th Fleet there, the Chinese might have landed, too. But we won't argue that.

Senator STENNIS. Proceed.

The success of the Nationalist Chinese pilots is attributable to their professional skill, superior tactics, and truly outstanding battle discipline.

The fiscal year 1960 military assistance program in the Far East will assist the nations of that area in the maintenance of armed forces totaling approximately 1,800,000 men. This will provide for the repair and overhaul of aircraft engines, artillery, tanks, and naval vessels on a very austere basis.

Where the economic situation dictates items such as petroleum, oil, lubricants, and uniforms will be provided in addition to spare parts and ammunition.

In order to meet the Communist military threat, very selective modernization items, such as artillery, tanks, naval craft, and aircraft, have been programed. This will permit these countries to improve their air and submarine defense, as well as keep pace with improvement in Communist military hardware which opposes them.

## NEAR EAST, SOUTH ASIA

During the past year the Near East was the scene of widespread political turbulence, open civil war, and violent revolution. The Soviets sought to capitalize on the situation by provocatively maneuvering on the borders of Iran and Turkey and by stepping up its propaganda offensive against nations alined with the West.

The MAP played a significant part in assisting hard-pressed friendly governments to resist the general wave of anarchy and subversion which seemed to threaten the whole area. Military strength developed through the MAP gave Iran and Turkey the confidence and fortitude to stand fast in the face of serious external threat of the Soviet Union.

The Near East will receive 23 percent of the fiscal year 1960 military assistance funds. It will continue to assist in maintaining the respectable military capability already created in the area, and will continue the modernization of conventional armaments, tanks, aircraft, communications, on a selective basis. It will continue essential military construction.

## LATIN AMERICA

For Latin America we plan to use 5 percent of the fiscal year 1960 appropriations. With this modest amount we will continue aid to the countries which have accepted missions in defense of the Western Hemisphere.

Part of the program for Latin America is on a sales basis, financed by MAP funds.

The remaining 2 percent of the program will be used for administrative expenses and other charges not allocated on a regional basis.

## PROGRAM BY CATEGORY—FORCE MAINTENANCE

Maintenance of forces already built up with the help of past military assistance has the first claim and will be assigned 21 percent of the fiscal year 1960 funds. This program category includes overhaul or replacement of unserviceable equipment, spare parts, and training ammunition.

More and more of the countries that have the capability to do so are providing the cost for the maintenance of their own forces through their own resources.

In those countries of the Far and Near East which have the least capability to maintain their own forces, maintenance also includes some soft goods, such as petroleum, oil and lubricants, uniforms, and other consumables. It is for these countries that the bulk of our maintenance funds will be used.

Force improvement: The major part of the materiel program is for improvement of military readiness and effectiveness through the modernization of equipment, the provision of newer weapons systems such as missiles, and by providing additional initial equipment for certain war reserves, particularly ammunition.

Thirty-four percent of the funds will be applied to the improvement of forces by the addition of conventional items which include some modern high performance weapons such as the new Century series aircraft, a modern type of antisubmarine aircraft, some lightweight strike fighters, as well as 106-millimeter recoilless antitank rifles, and coastal and inshore minesweepers.

The Joint Chiefs of Staff and General Norstad have assigned a high priority to the provision of advanced missile systems to offset growing Soviet capabilities and 17 percent of fiscal year 1960 funds will be used for this purpose.

While final determination must still be made as to exact numbers and types of missiles which will be in the program when approved, items under consideration include Sidewinder, Nike-Hercules, and Bomarc, Honest John, Sergeant, the IRBM, and Hawk. Sidewinder and Hawk will be manufactured in Europe with the bulk of the cost to be borne by the Europeans.

## TRAINING

The training of foreign military personnel either by attendance at military schools in the United States or overseas, or by technical representatives and mobile training teams assigned to countries or regions, will require 5 percent of the fiscal year 1960 funds.

Of the various forms of military assistance, training represents the greatest value per dollar spent. In addition to improving skills in military specialties, trained personnel have a substantial impact on the cultural and economic development of their own countries, and on the general attitudes of the people of their countries toward the United States. They are trained in many technical skills such as electronics and mechanics and upon leaving military service contribute to the pool of available skilled manpower for industry.

The effect of this training can well last long after the items of military hardware, upon which they have been trained, have disappeared.

#### PACKING, CRATING, HANDLING, AND TRANSPORTATION

Eight percent of the fiscal year 1960 funds will be applied to the cost of packing, crating, handling, and transporting the materials to be shipped to recipient countries in this fiscal year. This is a relatively fixed charge and varies only in direct relation to the delivery of equipment.

#### COST SHARING

While the military assistance program is one of mutual effort with our allies, there are four programs which provide for U.S. participation in special cost sharing agreements. These are:

Infrastructure, mutual weapons development, weapons production, and support of NATO international military headquarters.

Eight percent of the fiscal year 1960 availability will be required to provide U.S. contributions to these activities.

The infrastructure program provides for airfields, naval bases, war headquarters, and other supporting military facilities essential to joint operations by the integrated NATO forces.

The U.S. contribution to the mutual weapons development program is for continuing support of the effort to accelerate the research and development of selected advance weapons and equipment through the pooling of allied scientific and technical skills.

The weapons production program is designed to assist allied nations in the establishment and expansion of facilities for the manufacture and indigenous support of modern weapons, thus eventually decreasing their financial dependence upon the United States.

During the coming year this program will be directed primarily toward increasing missile production capability in Europe.

The international military headquarters are supported by contributions on a pro rated formula basis by participating nations. These funds are for the provision of space, the cost of civilian salaries, utilities, and other similar overhead charges.

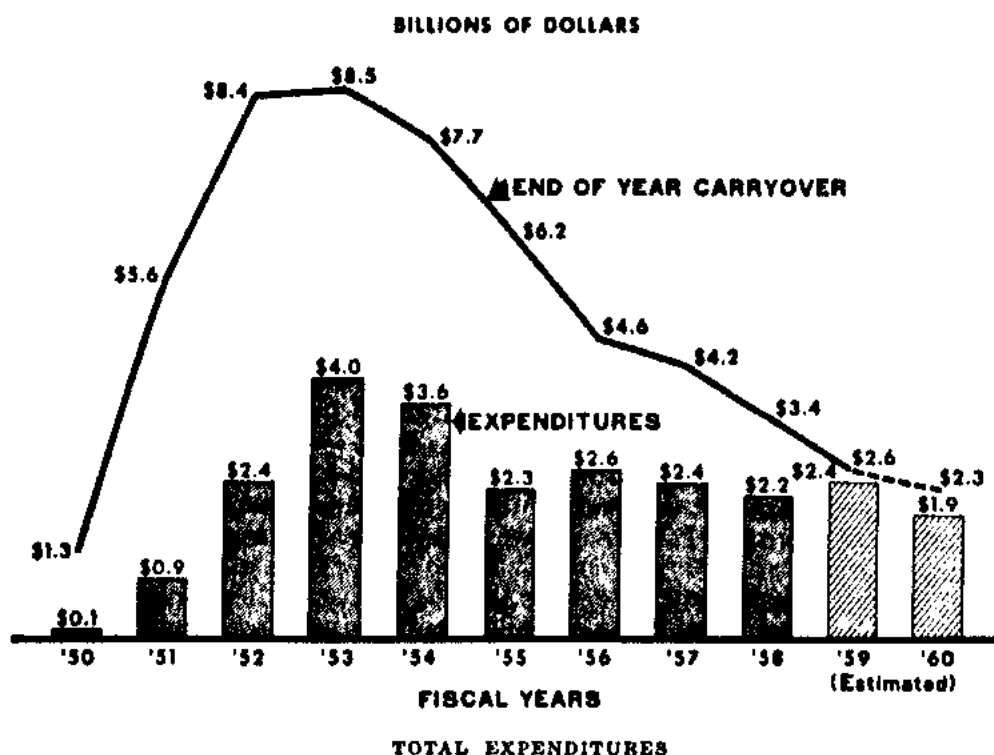
#### CREDIT SALES

Approximately 4 percent of the total fiscal year 1960 fund availability will be used to extend credit to finance sales of military equipment as authorized by the 1957 statute.

Unexpended balances, chart II.

(The chart referred to follows:)

# MILITARY ASSISTANCE PROGRAM EXPENDITURES AND CARRYOVER



Mr. SHUFF. This chart shows the amount of funds expended each year and the carryover at the end of the year. A reduction in carryover is brought about by delivering, in any one year, more assistance than the amount of the new appropriation.

You may remember that last year we pointed out the sharp reduction of unexpended balances from a high point of \$8½ billion at the end of fiscal year 1953 to \$3¼ billion at the end of fiscal year 1958.

Expenditures in 1958 totaled \$300 million more than the \$1,856 million appropriated.

Similarly, in 1959, we expect to spend nearly \$860 million more than the \$1,515 million of new obligational authority.

In 1960 we plan to spend \$300 million more than the \$1,600 million originally requested.

The carryover at the end of fiscal year 1960, based on the requested appropriation of \$1.6 billion, will have been reduced to \$2,300 million, over half of which will have been obligated for long leadtime items, such as missiles, aircraft, and ships.

Any reduction in appropriation will, of course, result in a similar reduction in the pipeline.

## EFFECTS OF CUTS

We are regularly asked to explain the effect on the program of reductions in the amount requested by the executive branch, made by the authorizing and appropriating committees of Congress. It is not

possible at this time to show, with the sharp detail of a chart and graph, what will be the effect of reductions.

This is true so long as there is no clear-cut emergency calling for a defense that is not ready.

Nevertheless, every reduction that takes away from needed military strength inevitably increases the risk under which we live and invites the emergencies that are fraught with so much danger.

It has sometimes been argued that there is no real need for funds in the amounts requested, since necessary funds could always be provided in the event of emergency. In other words, "Show us the emergency and you will get your money."

This is a fallacy which could be disastrous.

Senator ELLENDER. I never heard that argument before. I have advanced many arguments but certainly not that one. The arguments I have made center around the ability of our allies to furnish more—not to wait for an emergency. If there is to be truly a mutual program they ought to supply themselves, almost to the same extent that we try to supply ourselves, bearing in mind population and other factors.

Personally, I have never contended what you are referring to now.

Mr. SHUFF. I am not suggesting that you made that.

Senator ELLENDER. I have never heard anyone make that suggestion.

Mr. SHUFF. I have, sir.

Senator STENNIS. Proceed.

Mr. SHUFF. When the emergency arises, the immediate need for money may no longer be the problem at all. The need in an emergency is for military equipment that has already been produced; for forces already in being—trained, equipped, and on the spot.

Emergencies must be met by all reasonable precautions before they occur.

At Quemoy free world forces were able to respond promptly and effectively because they were in being. They had already been well trained and equipped. Therefore, they had experience and confidence, essentials for the morale of fighting men.

The military assistance program should, however, not be judged solely in terms of meeting emergencies. When the collective security system is working most effectively, it deters aggressors from creating emergencies in the first instance.

#### PROGRAM READJUSTMENTS

A preliminary study has been made to determine what readjustments would be necessary in the planned program of \$1.6 billion if Congress appropriated the full amount authorized, \$1.4 billion.

It is clear that modernization programs, principally for missiles and aircraft, will have to be curtailed, despite the high priority assigned to these projects by our most competent military advisers.

#### DRAPER COMMITTEE REPORT

Particularly pertinent to note here is the fact that the Draper Committee in its first interim report concluded that an additional \$400 million was required if acceptable progress in modernization, princi-

pally of NATO forces, was to be achieved in anything like the time schedule required.

The President, in transmitting this report to Congress, stated:

The unanimous findings of the Committee in its interim report confirm the imperative need for Congress to authorize and appropriate the full amount requested for both economic and military assistance in the mutual security program for fiscal year 1960.

In light of the effect of the cuts already sustained, and considering the views of the Draper Committee, it would seem that even the original amount requested by the President might prove to have been too austere, let alone the authorized amount of \$1½ billion.

In my opinion, if this committee goes along with the thinking of the House, which cut another \$100 million, we are cutting not into the meat, but into the bone of this program.

But let me proceed, for I have yet to discuss the management of the program; the area where it is said that savings could be effected which would more than offset the effect of the cuts.

#### TRENDS IN MANAGEMENT OF THE PROGRAM

The management of this program presents many unusual problems. Many of our allies will never achieve perfection in involved supply, logistic, and maintenance management practices, although they have made, and will continue to make, substantial improvements.

Auditors are sure to find deficiencies when they apply U.S. audit criteria to the logistical practices of some of our less experienced allies.

Nevertheless, these countries are still desirable friends and can be assisted to make, and have made, a substantial contribution to the defense of the free world.

The Philippines were able to eliminate the Huks despite the handicap of an inadequate inventory and logistic system, which, incidentally, has since improved.

The South Koreans, who are having similar difficulties, have built up a powerful and effective fighting force. They have fought with great distinction and now have taken over a major part of the responsibility for standing guard in a situation of suspended hostility.

Perhaps, if I may be allowed a personal reference, my own previous business experience predisposed me to emphasize efficiency of management, but, in any case, my initial hopes for quick and significant improvement soon gave way to a more sober realization that many of the problems we face are inherent in the very nature of the operation and that their solution would require far more patience and time-consuming, painstaking effort than was immediately apparent.

For example, quite apart from the language barrier, which affects almost all of our dealings with foreign governments and their military establishments, there are even more basic differences of tradition, ethical standards, levels of technical skills and education, executive and administrative know-how methods of operation and national customs.

#### PROBLEMS OF SUPPLY AND MAINTENANCE MANAGEMENT

My surveys in the Far and Middle East, particularly have pointed up that in almost every country problems of inadequate supply, logistics, and maintenance management are evident. Many coun-

tries lack an appreciation for, and understanding of, and a solution to these kinds of problems.

It should be clear, however, that we are dealing with independent nations and their resources, and that a plentiful supply of literate and skilled personnel and of adequate facilities cannot be developed overnight. It will require considerable time, tact, persuasion, and painstaking training to achieve standards of acceptable accomplishment.

All of these factors must be taken into consideration and dealt with, generally on a case-by-case, country-by-country basis, never in broad generalization. That is one reason why my staff and I have devoted so much of our time to field observation trips throughout the countries and regions where the military assistance program is most active and of greatest magnitude.

In addition, the unified commanders, the Army, Navy, and Air Force, and Department of Defense auditors are also engaged in inspecting our military assistance programs. The purpose of these visits has been to uncover deficiencies and to initiate corrective action.

#### REPORTS OF ERROR AND INEFFICIENCY

Careful attention is given to reports of error and inefficiency which have emanated from other sources, such as the General Accounting Office and congressional investigating committees.

Each such report has been given my personal attention, and in every case of valid criticism we have used all means at our command to eliminate the cause of the trouble and to start corrective action to improve the efficiency of our operations.

#### MILITARY ASSISTANCE INSTITUTE

In order to correct some of the deficiencies at the source, we recently established a military assistance institute which has already trained 992 officers for MAAG duty. This course of training, of one month's duration, helps prepare key officers for this specialized type of duty.

In conclusion, Mr. Chairman, I should like to point out that one cannot properly evaluate the military assistance program in terms of a few specific countries at any particular point in time.

Rather, Mr. Chairman, one must look at the entire free world over the past decade of the cold war.

The contrast between weakness and divisiveness at the beginning and the strength of the free world forces of today are, in my judgment, good and sufficient justification for the money we have invested in the program to date. How else could we have achieved the same results?

This conclusion does not emanate solely from the Department of Defense; it reflects the unbiased and well-informed convictions of the highest military authorities who have spoken their minds on the subject, of the Department of State, of all the members of the Draper Committee, and of the President.

Therefore, I must respectfully urge that neither prudence nor ordinary caution would counsel that thoughtful men can safely cast aside the combined judgment of all of these, who with a single voice have clearly and unmistakably defined our barely minimum need for



security. I therefore repeat what I said in my opening remarks, the need for the full amount of the MAP authorization is imperative.

Senator STENNIS. Thank you, Mr. Secretary. Do you have any further comments? If not, we will have some more questions.

Senator ELLENDER.

Senator ELLENDER. Mr. Chairman, it is now late. As you said, Mrs. Langer's funeral is going to be at 1 o'clock. Will Mr. Shuff be here later?

Mr. SHUFF. At your pleasure.

Senator ELLENDER. For the regional hearings?

Mr. SHUFF. I will be here for some of them.

[Discussion off the record.]

#### ESTIMATED EXPENDITURES IN 1960

Senator ELLENDER. Mr. Shuff, I would like to ask a couple of questions. According to chart 2 before us, I notice that you are going to spend \$1.9 billion in 1960 and you have in the pipeline \$2.3 billion. Is that based on the original estimate of the President?

Mr. SHUFF. Yes, sir.

Senator ELLENDER. \$1.6 billion?

Mr. SHUFF. Yes sir.

Senator ELLENDER. So if it is cut you would have to deduct that amount from the \$1.9 billion?

Mr. SHUFF. That is correct.

#### OVERHAULING AIRPLANE ENGINES

Senator STENNIS. Mr. Secretary, I have just a few questions here: On page 5, at the bottom of page 5, you are talking about the Far East and you say you need funds to overhaul aircraft engines, and so forth.

Now in Western Europe you do not spend any money there for overhauling engines, aircraft engines or anything like that where they have the skill and the manpower and the machinery all set up? We do not pay a part of that cost, do we?

Mr. SHUFF. Except for spare parts for those countries not under the cutoff policy we do not now, sir. In the beginning, we did.

Senator STENNIS. I know we did. But you have gotten away from all that now?

Mr. SHUFF. Yes, sir.

Senator STENNIS. It is just in these areas where they have fewer facilities and less skill; is that right?

Mr. SHUFF. That is right. They don't have the industrial capability.

#### HOUSE REDUCTIONS

Senator STENNIS. Well, I am encouraged to know and I am sure you got away from it as soon as you could in those other countries. Let me ask you gentlemen this. You talk about restoring the reductions made by the House. The House has a number of men over there that gave a world of time to these questions, as you know, and they have been very thorough, they spend months on these bills.

After they had made their reductions, General Lemnitzer, did the Joint Chiefs of Staff have a session and consider those reductions and decide whether or not any part of those reductions should be absorbed?

General LEMNITZER. We analyzed those reductions in terms of items of equipment that would have to be taken out of the program by country.

Senator STENNIS. When you say "we," whom do you mean? The staffs of the Joint Chiefs or the Joint Chiefs of Staff?

General LEMNITZER. We discussed it at the meeting of the Joint Chiefs of Staff the day before yesterday, on Wednesday. An analysis was made by Mr. Shuff's staff and by the Joint Staff of the general nature of the impact. I would not want to give you the impression that we have staked it all out in precise detail but we have assessed impact of the cuts around the world, and we found that \$100 million makes a tremendous difference in the modernization program which we are talking about, as I indicated in my statement.

Senator STENNIS. You said you discussed this around the table the day before yesterday, the Joint Chiefs did. What did you conclude? Did you consider whether or not you could make these reductions in part or all that the House had suggested?

General LEMNITZER. We concluded that they ought not to be made. As I pointed out in my statement, they would seriously set back the modernization program.

Senator STENNIS. What I want to know is, Did you actually have a meeting on this subject and actually discuss it and reach a conclusion?

General LEMNITZER. It was discussed as part of a regular Joint Chiefs of Staff meeting.

Senator STENNIS. All right. You know sometimes they say in statements to us that the Joint Chiefs have considered this and they have concluded so-and-so. We find out later it was the staff that concluded it. It is easy to fit those statements in.

General LEMNITZER. Senator, I was there.

Senator STENNIS. That is all I want to know, "I was there and this happened." I know you are telling us the correct story about it.

Now, Mr. Secretary, did you really make an effort now to see if you could absorb some of this in your judgment, these House reductions? What did you do on that? Did you confer with your staff and see if they could absorb them, or did you just reclama all of it automatically?

Mr. SHUFF. No sir. We have been working not on the House reductions, but have been working on the reductions to \$1.4 from \$1.6 billion and we think, as I said in my statement, we are beginning to cut into the bone.

Senator STENNIS. When you say "we," you mean your judgment and those that advise with you on it?

Mr. SHUFF. That is right, sir.

Senator STENNIS. At the Department of Defense level?

Mr. SHUFF. That is right, sir.

Senator STENNIS. You really went into that matter to see what would happen and whether you could absorb the reduction down to \$1.4 billion?

Mr. SHUFF. Mr. Chairman, obviously we are going to absorb whatever cut will be made upon us. Whatever cut is made upon us we will make a program. What we are saying is, that we feel that the hardware that is represented by \$1.6 billion is what we need to run this program the way the Joint Chiefs of Staff advise us militarily it needs to be run.

Senator STENNIS. What I want to get at is this. Did you actually consider the matter of the reductions by the House and actually conclude they could not be absorbed without real injury?

Mr. SHUFF. Yes, sir.

Senator STENNIS. All right. I accept your word on it. You have already prepared next year's budget, I know that, too; and this is the tail end of this one, you still have to present it.

Mr. SHUFF. Not quite.

#### COST-SHARING AGREEMENTS

Senator STENNIS. Now turn to page 9, if you will. I want a little further information here on the subject of cost sharing:

While all the military assistance program is one of mutual effort with our allies, there are four programs which provide for U.S. participation in special cost-sharing agreements. These are: Infrastructure, mutual weapons development, weapons production—

and so forth.

That is a matter that is kind of superimposed over the general NATO formula, is it not, in which we make a larger contribution than we otherwise would? Is that correct?

Mr. SHUFF. Well, sir, it is a special arrangement.

Senator STENNIS. Why was it created?

Mr. SHUFF. It was created so that the rest of the NATO allies could share the cost with us.

Senator STENNIS. I thought they were sharing under the general formula to start with.

#### INFRASTRUCTURE FORMULA

Mr. SHUFF. The infrastructure formula was the general formula I believe you referred to, Senator Stennis, and at this point we pay on the last three slices an average of 34.92 percent. The other nations together pay the balance.

Senator STENNIS. What about the other programs, the mutual development weapons program? What percent do we pay on that?

Mr. SHUFF. Under the mutual weapons development program, we pay different percentages depending on the projects in which we engage.

Senator STENNIS. The next one is special. Why were these set up? Why could they not come under the regular formula? There must be some reason for the different measure of contribution.

Mr. SHUFF. Well, the regular formula that you referred to, sir, is only a regular formula for one kind of problem. The infrastructure program was instituted to build up air bases, naval bases, war headquarters, and various other things. The Europeans could not pay for them themselves. Instead of the United States paying for all, together we established the formula.

Senator STENNIS. Are you talking about the first formula, at the beginning of the program?

Mr. SHUFF. I'm talking about the infrastructure formula where the United States paid x percentage and the other countries paid to the limit of their ability. Now the history of that formula is, that the United States has paid a reduced percentage from 41.82 percent for slice II to 34.92 percent for slices VIII-IX.

Senator STENNIS. It is down now to 34.9 percent?

Mr. SHUFF. Yes sir.

Senator STENNIS. What is the history of the other formulas that apply?

Mr. SHUFF. The others are not formulas, sir.

Senator STENNIS. What I am concerned about is, why did you have to create these other programs outside of your regular formula payment? There must have been a reason.

Mr. SHUFF. The second one, sir, was in fulfillment of U.S. policy. When the President said that he wanted to share the research and development know-how in the United States with our European allies, this was a way to do it. And largely through the various projects, our contribution is about 50 percent, as I recall it.

#### WEAPONS PRODUCTION PROGRAM

Senator STENNIS. What about the weapons production program?

Mr. SHUFF. The weapons production program was something which started completely from scratch. There was no basis on which to establish a formula. As it is now, the Europeans will pay—I don't know what percentage—but it's a very substantial percentage of the overall undertaking. All we will supply is technical know-how for the project, drawings, and various other things as they relate to the missile system, and they will produce and buy it.

Senator STENNIS. Could you give some estimate about the percent we pay of that? I do not have any idea, myself.

Mr. SHUFF. We are not that far along, Senator. I cannot tell you what it will be at this point.

Senator STENNIS. So it is just in its initial stages.

Mr. SHUFF. Yes, sir.

#### INCLUSION OF PROGRAM IN REGULAR DEFENSE BUDGET

Senator STENNIS. May I ask General Lemnitzer this question? I have felt, and the Senate passed an amendment to that effect, that this program would be better understood and fare better perhaps if it were budgeted in with our regular defense program and handled in this way. Now give us your frank opinion on that. Did I make clear there what I meant?

General LEMNITZER. Yes sir, you have.

Senator STENNIS. In the mutual security bill there was a new provision adopted, I think on a 2-year trial basis, but I believe this program would be better understood if it were presented as a part of your regular military budget every year. What do you think about that, General?

General LEMNITZER. I was involved in the initiation of the program, and it was decided at that time, and for good reasons I felt, to keep them separate. There is a great problem area involved in relating defense support type of activities with economic programs. I think it produces a better package if you know what you are doing in this particular area as a separate package.

As far as its effect is concerned, it is part of our security program.

Senator STENNIS. Now, Mr. Secretary, would you care to comment on that question that I asked?

Mr. SHUFF. Yes, sir.

Senator STENNIS. It is getting somewhat in your domain.

Mr. SHUFF. It has been continually the feeling of the Department of Defense that it would be better in the defense budget.

Senator STENNIS. Better in the defense budget?

Mr. SHUFF. Yes sir. Two years ago we asked that this be done and Congress saw fit not to do it.

Senator STENNIS. I know. There is a difference of opinion on it here.

Mr. SHUFF. We realize how we fit in with the ICA and the State Department considerations of this program; but with the authorizing legislation that we have now I think it will give us a good test.

Senator STENNIS. A good try out?

Mr. SHUFF. Yes sir.

Senator STENNIS. Did you want to say something further, General?

General LEMNITZER. When you asked me the question, I thought you were talking about the mutual security program as an entity.

Senator STENNIS. No, I was talking about the military part of the mutual security program. I thought it would fare better and would be better understood to be budgeted in with your regular military budget.

General LEMNITZER. It has been argued pro and con for 10 years and, as I understand, it now is in the legislation. I think it is a good time to give it a try and take a good look at it.

Senator STENNIS. It is still a question as to how the Appropriations Committee may handle it. But I think we will have a better understanding.

Mr. SHUFF. Senator, it will be a separate title.

Senator STENNIS. Yes; that is all right.

(Discussion off the record.)

Senator STENNIS. On the record.

Senator, you said you had some questions.

Senator ELLENDER. I have a few more questions.

#### INCREASE IN MILITARY AID TO SOUTH AND CENTRAL AMERICA

Mr. Shuff, will you tell the committee the reason for increasing the amount of military aid to South and Central America?

Mr. SHUFF. Senator Ellender, part of the reason for that is that all of it is in nongrant.

Senator ELLENDER. Let us take Brazil. You gave Brazil in 1958, \_\_\_\_\_ million; in 1959, \_\_\_\_\_ million; this year, \_\_\_\_\_ million. All of this is on a grant basis. Let us take Cuba, in the light of what is happening now, and the way Mr. Fidel Castro is talking about us. Last year you gave them \_\_\_\_\_. This year you have them down for \_\_\_\_\_. Why?

Mr. SHUFF. On an island off Brazil the United States has a tracking station for the Cape Canaveral Missile Testing Center. For the purposes of being on that island, we have given more sympathetic attention to Brazil's needs.

Senator ELLENDER. Is that by way of rent?

Mr. SHUFF. I don't think we like to call it rent or I don't think we like to call it quid pro quo.

Senator ELLENDER. Who suggested that? Did they demand it from us or did we suggest it?

Mr. SHUFF. I am sorry, sir, I could not answer that question. I think the State Department might be able to answer that.

#### INCREASED AID TO CUBA

Senator ELLENDER. What caused you to increase the amount to Cuba? In fact, you almost tripled the amount.

Mr. SHUFF. Sir, there has been no military assistance given to Cuba since March of 1958. At that point it was stopped.

Senator ELLENDER. How much do you have left in the pipeline for Cuba?

Mr. SHUFF. I will have to research that for you.

Senator ELLENDER. All right.

Mr. SHUFF. I will say that there was nothing left of the amount. I can answer the question as to how much was given and how much was not given, but when it was not given it was reprogrammed to do something else. It is not sitting in escrow waiting.

Senator ELLENDER. In any event, you are programing ——— for this year. What do you propose to do with that?

Mr. SHUFF. This is a program very closely coordinated with the State Department. It was the feeling of the State Department that the situation in Cuba during the course of this fiscal year would arrive at a point where it was in the best interest of the United States to have a military assistance program for them. This represents our combined thinking as to that kind of program.

Senator ELLENDER. Was that program initiated before Fidel got into power?

Mr. SHUFF. No, sir; after.

Senator ELLENDER. After?

Mr. SHUFF. It has not been negotiated. Our thinking and the work that was done on this was done after he got into power.

#### PROGRAM IN VENEZUELA

Senator ELLENDER. Now you say that the Latin American program as a whole increased more because of credit sales. I notice here that in the case of Venezuela you had ——— in 1958, you have ——— million in 1959, and ——— million in 1960. Are we to understand that we will get this money back?

Mr. SHUFF. Yes, sir.

Senator ELLENDER. I think Venezuela's credit is good. Why should we appropriate money for Venezuela? Why should we not simply get dollars from her?

Mr. SHUFF. We will get dollars.

Senator ELLENDER. Why do we have to appropriate dollars if it is a credit transaction with a good customer?

#### CREDIT SALES

Mr. SHUFF. The 1957 law allowed us to use appropriations up to \$175 million on a revolving fund basis for credit sales. I believe the figure that we have arrived at at this point is \$92.3 million. So that we are asking for 4 percent, you will recall, of the \$1.6 billion new obligational authority request for our credit sales.

Now Venezuela has lots of commitments. She buys a lot of things. She has made a lot of public works type progress and is committed. She does not have the cash to buy with cash on the barrelhead, so we offer her credit.

Senator ELLENDER. We don't have either, of course. But let me ask you this: Are these credit sales repayable in dollars so that the money you collect will go back into the Treasury?

#### REPAYMENT BASIS

Mr. SHUFF. They are repayable in dollars or soft currency. From Venezuela they are repayable in dollars.

Senator ELLENDER. Where will that money go?

Mr. SHUFF. If it is paid in 3 years it will go back into the revolving fund so that we may make other credit sales with it. If it comes back after 3 years it will go to miscellaneous receipts of the Treasury.

Senator ELLENDER. Why call them credit sales? If Venezuela buys goods from us, she pays for them. Why don't you arrange to have it go back to the Treasury? Why make a revolving fund?

Mr. SHUFF. Sir, it would only mean that we would have to come up and ask for more new obligational authority. This seems to be a way, if we can get people to buy, that we ought to have the revolving fund to let others buy.

Senator ELLENDER. You mean in South America?

Mr. SHUFF. Anywhere in the world, sir. Anybody that we can persuade.

#### AMOUNT IN REVOLVING FUND

Senator ELLENDER. How much of a revolving fund did you have at one time? Did you say \$175 million?

Mr. SHUFF. We are authorized to have \$175 million.

Senator ELLENDER. How much did you actually get into the revolving fund?

Mr. SHUFF. \$92.3 million as of May 31, 1959.

Senator ELLENDER. What is the status of that fund now? If you don't have it right now, will you give us the status of it?

Mr. SHUFF. Yes, sir; I will. I will give you the status of the credits and which ones have been paid back and how much.

(The information furnished is classified and is in the committee files.)

Senator STENNIS. Senator Ellender, will you yield to me for a moment?

Senator ELLENDER. Yes.

Senator STENNIS. Senator Haydon asked me to announce when we do recess it will be until 10:30 Tuesday. You have a conference of your committee on Monday. I regret that I will have to leave.

May I ask one question?

#### DURATION OF REVOLVING FUND

Senator ELLENDER. There is only one more question I want to ask. When will this revolving fund ever find its way back to the Treasury?

Mr. SHUFF. When the program stops.

Senator ELLENDER. Have we suffered any losses on this program?

Mr. SHUFF. We have not yet, sir.

Senator STENNIS. How much was in that revolving fund, did you say?

Mr. SHUFF. \$92.3 million as of May 31, 1959.

#### AIR DEFENSE MISSILES

Senator STENNIS. Gentlemen, going back to the Secretary's statement on page 8, you mentioned here that the items under consideration include Sidewinder, Nike-Hercules and Bomarc, Honest John, and so forth. Are you using these as tactical missiles over there? This is not a technical question, but are you using them as tactical missiles or really trying to defend the cities and all?

General LEMNITZER. Sidewinder is what the Air Force is equipped with. Nike-Hercules, just as they are in the United States, Senator Stennis, are for air defense purposes.

Senator STENNIS. Are we undertaking to surround the cities over there with Nike-Hercules and Bomarc?

Mr. SHUFF. No, sir; we are not.

Senator STENNIS. I was going to say that would just be tragic if we tried to underwrite the defense of all of Western Europe.

Mr. SHUFF. We would agree.

Senator STENNIS. So you are using them as tactical weapons, those that can be used as such, largely; is that correct?

#### HAWK MISSILES

General LEMNITZER. Over areas like our field army in Germany and our lines of communications in France—I am not familiar with the specifics of where the Hawk is going, but, as Mr. Shuff has indicated, there are ——— battalions that are going to be used and they will be used primarily for the protection of our field armies.

Senator STENNIS. What are you using the Hawk for?

General LEMNITZER. It is a low altitude——

Senator STENNIS. I know what it is, but what are you using it for over there and to what extent?

Mr. SHUFF. Air defense.

General LEMNITZER. It is an air defense missile, a surface-to-air missile and a most effective one.

Senator STENNIS. What are you protecting with it, the cities?

General LEMNITZER. Troops, lines of communication, and military installations. We don't have any in Europe yet. The Hawk battalions are just now being equipped here in the United States.

Senator ELLENDER. Is that the one being manufactured in Europe?

Mr. SHUFF. The Hawk is proposed for production in Europe.

Senator ELLENDER. Do you have to buy them?

General LEMNITZER. I am talking about our own use of Hawks vis-a-vis the use by these countries that are going to manufacture them and buy them themselves. But our battalions are now being equipped with Hawk for use in Europe and in Korea.

Senator ELLENDER. How many do you propose to buy of those?

General LEMNITZER. The program as I understood it from Mr. Shuff is, ——— battalions that they are buying for themselves. This is a part of this——



Senator ELLENDER. How many will we have?

General LEMNITZER. I think we are now programing only ——— battalions for the U.S. Army which are all for deployment in oversea areas. They are right up against the Iron Curtain, and they are used as a tactical air defense weapon.

Senator STENNIS. My point is, General, you can't undertake to put all of Western Europe under an umbrella with these weapons. I can see where you might have a tactical use and maybe a few strategic spots that you would want—I mean ground-to-air defense.

Mr. SHUFF. Battalions stretching from the northern tip through Turkey could not begin to handle any two or three cities, sir.

General LEMNITZER. There is nothing in Europe, Senator Stennis, that is comparable to the continental defense program that we developed here in the continental United States with our master air defense program.

Senator STENNIS. That is what I wanted to get at. I did not think that the people ought to be led to believe that you were going to put such an umbrella over them and then be disappointed when you did not. You don't have anything like that in mind?

General LEMNITZER. No, sir.

Senator STENNIS. All right. Anything further?

Senator ELLENDER. Of the total exceeding \$700 million of military assistance for Western Europe, does that include the Hawk or is it separate and apart?

General LEMNITZER. I believe the Hawk is the basis of a separate program.

Senator ELLENDER. A separate program?

General LEMNITZER. I know we don't have any provision in our present production program for the Hawk for other nations.

Senator ELLENDER. As I recall the military assistance for Western Europe is in excess of \$700 million?

Mr. SHUFF. I can answer that question for you, sir.

Senator ELLENDER. You say that is separate and apart from the Hawk program?

#### HAWK PROGRAM FOR U.S. ARMY

General LEMNITZER. Well, we have a Hawk program for the U.S. Army.

Senator ELLENDER. But it is not to be taken out of this mutual security?

General LEMNITZER. I am not quite sure what this specific program is. Let us provide this information for you, Senator Ellender.

Senator STENNIS. If I may say, I think that it would be very useful to outline this program, too, that you contemplate, because it is misunderstood. I think that will clear it up.

General LEMNITZER. Thank you, sir.

Senator ELLENDER. Will you answer that specifically the next time we meet?

Mr. SHUFF. Yes, sir.

(The information furnished is classified and is in the committee files.

## COMMITTEE RECESS

Senator ELLENDER. The committee will stand in recess until Tuesday at 10:30.

General Lemnitzer and Mr. Shuff, I am glad we have had occasion to examine you and hope you can supply us with the details next week, when the regional teams appear before the committee.

General LEMNITZER. Thank you, sir.

Mr. SHUFF. Thank you.

(Whereupon, at 1:25 p.m., Friday, August 7, 1959, the committee recessed to reconvene at 10:30 a.m. Tuesday, August 11, 1959.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

TUESDAY, AUGUST 11, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:45 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden, chairman of the committee, presiding.

Present: Chairman Hayden, Senators Ellender, Kefauver, Bible, Byrd, Bridges, Dworshak, and Allott.

## MUTUAL SECURITY PROGRAM

### EUROPE

STATEMENTS OF HON. FOY D. KOHLER, ACTING ASSISTANT SECRETARY OF STATE FOR EUROPEAN AFFAIRS; MARCUS J. GORDON, REGIONAL DIRECTOR, OFFICE OF AFRICAN AND EUROPEAN OPERATIONS, INTERNATIONAL COOPERATION ADMINISTRATION; MAJ. GEN. JOHN S. GUTHRIE, DIRECTOR, EUROPEAN REGION, INTERNATIONAL SECURITY AFFAIRS, DEPARTMENT OF DEFENSE; ACCOMPANIED BY: J. E. MURPHY, INSPECTOR GENERAL AND COMPTROLLER, MUTUAL SECURITY; WALTER F. SMITH, OFFICER IN CHARGE, ECONOMIC AND MILITARY ASSISTANCE AFFAIRS; VINCENT SHERRY, PROGRAM OFFICER, DEPARTMENT OF STATE; OLIVER L. SAUSE, CHIEF, AFRICAN AND EUROPEAN PROGRAM STAFF; C. HERBERT REES, PROGRAM OFFICER, OFFICE OF THE DEPUTY DIRECTOR FOR PROGRAM AND PLANNING; EDWARD F. TENNANT, ACTING ASSISTANT DEPUTY DIRECTOR, CONTROLLER; HERMAN J. NISSENBAUM, PROGRAM IMPLEMENTATION OFFICER, OFFICE OF AFRICAN AND EUROPEAN OPERATIONS, INTERNATIONAL COOPERATION ADMINISTRATION; CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY FOR MILITARY ASSISTANCE PROGRAMS, OASD/ISA; LT. COL. ARPOD J. ARTWOHL, USAF, EUROPEAN REGION; MONROE LEIGH, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS; MARKLEY SHAW, ISA COMPTROLLER; COL. VICTOR H. KING, USAF, DEFENSE COORDINATOR FOR MSP CONGRESSIONAL PRESENTATION, ISA; JOHN M. MULLEN, EUROPEAN REGION, ISA; HARRISON C. DUNNING, EUROPEAN REGION ISA, AND CAPT. CHARLES WAYNE, USN, FAR EAST REGION, DEPARTMENT OF DEFENSE

### GENERAL STATEMENT

Chairman HAYDEN. The committee will please be in order.

We are pleased to have this morning as our first witness Mr. Foy D. Kohler, Acting Assistant Secretary of State for European Affairs.

Mr. Kohler, I understand you have had a long career in the Department of State, including a tour of duty in Russia and other countries of the Iron Curtain and that you have served the United States with the Voice of America.

With that background you ought to be a good witness.

Mr. KOHLER. It is a great pleasure to be back with the committee. I don't know whether you remember, sir, but in the days when I ran the Voice in 1950 and 1951, I used to have the pleasure of coming here and very much appreciated the support I got at that time.

Chairman HAYDEN. I thought I had seen you before.

Mr. KOHLER. Yes, sir.

Chairman HAYDEN. You may proceed with your statement.

Mr. KOHLER. It is a privilege for me to appear before this committee to discuss the mutual security program for the European area for fiscal year 1960.

I need hardly remind this committee that the United States is now at one of the most critical points in its relations with the Soviet Union since the end of the war.

The United States, the United Kingdom, and France, have just recessed protracted negotiations with the Soviet Union. The issues behind these negotiations confront NATO with perhaps its greatest challenge in the 10 years of its existence.

It is my conviction that the mutual security program which we are considering today is still a key factor in building and preserving the strength of NATO, and consequently has a very direct bearing on the larger objectives which we hope to achieve through these negotiations.

#### MUTUAL SECURITY PROGRAM, EUROPE

The mutual security program proposed for Europe is almost entirely for military assistance. Of the \$542 million proposed for fiscal year 1960, more than \$517 million is for military assistance and defense support.

Furthermore, almost all of the \$174.3 million requested for the five military cost-sharing programs—*intra-structure*, military headquarters, mutual weapons development, weapons production, and aircraft modernization and missiles—listed in the nonregional portion of the proposed fiscal year 1960 military assistance program, is intended for the NATO area.

The program places increasing emphasis on advanced types of aircraft, guided missiles, and electronic equipment, but it also recognizes the continuing need to maintain the combat effectiveness of NATO's conventional forces.

The Soviet challenge to the free world appears in many different ways, and I believe that the American people are becoming more and more aware of this.

Increasingly, we are realizing that our freedom, our safety, and our well-being, cannot be defended by arms alone.

The drive of the Soviet rulers to expand their influence and domain is supported by great power, and by threats to use that power to enforce their will; this drive is reflected in an unceasing contest in propaganda, production, trade, and aid in science and education.

It is a good thing that so many Americans have come to appreciate the implications of this many-sided struggle.

But, having learned that military power alone will not resist the pressures of Communist expansionism, we should not make the mistake of assuming for that reason that military defenses are any less essential. Even the most prosperous and stable nation is not safe if its military defenses are weak.

In the Kremlin, only strength is understood and respected. Weakness invites hostile action.

By appropriating approximately \$40 billion a year for our own National Defense Establishment, the Congress has given unmistakable evidence of its continuing concern for adequate military defenses. The military defenses of our allies are equally vital and inseparable from our own.

#### RELATION TO U.S. DEFENSE

The mutual security program for Europe proposes an amount approximating 1 percent of our national defense budget to help our European allies attain a defensive capability which will make a substantial contribution to the defense of Europe and America alike. It would be shortsighted indeed if the United States spent over \$40 billion on its own forces, and then failed to follow through with this much smaller amount for modernization and maintenance of the forces of our allies which are essential to our total defense concept and without which our own military expenditures would have to be vastly greater.

So long as there are other free countries with important resources in manpower, raw materials, industrial techniques, science, and terrain, and which have the will to resist aggression, it is certainly in our interest that these resources be fully developed and combined with our own in a common defense effort.

That means that we must think of our national defense in terms of total defensive capabilities of the free world.

It is sometimes asked when the mutual security program will come to an end, and when our allies might be able to stand on their own feet.

In reply to this it must be said that none of our allies can stand alone militarily, and it is doubtful that the United States could afford to do so.

Our purpose in providing equipment and training to our NATO allies is not to enable any one country to acquire sufficient military strength to stand alone against the Soviet threat, but to enable each of them to make a maximum contribution to the total power of the Atlantic defense system.

The mutual security program, therefore, should continue in Europe as long as it represents a worthwhile investment by the United States in terms of the combined defensive power it generates.

The value of NATO, of course, reaches beyond the defensive capability it has attained. There has been no war in Europe since NATO was formed, and no territorial gains in Europe by the Soviet bloc.

The influence of the Communist parties has receded.

Governments have become more stable, and there has been a remarkable growth in Western European production and trade.

NATO governments have moved toward a more intimate and active relationship in various fields other than military defense, giving increasing attention to political, economic, and cultural ties.

Not all these favorable developments are attributable solely to NATO. But I doubt very much if they would have been possible without the protection and cooperative machinery and atmosphere of confidence provided by the NATO system, which the mutual security program supports.

#### VALUE TO EUROPE OF U.S. AID

Mutual security assistance to Europe is a vital part of our total contribution to NATO mainly because of the effect it has upon Europe's own contribution. This relationship is not always readily apparent. Some Americans are inclined to ask why the same results could not be achieved if the Europeans would only spend a little more of their own money.

The answer to this question is not simple. There are many essential items of equipment, such as missiles and advanced aircraft, which our European allies do not produce and which most of them cannot afford to purchase without sacrificing other vital defense activities. If these essential weapons are not made available and European NATO forces were not properly trained and equipped, the European military effort would be very seriously affected.

Without American aid, the defense forces of certain of our NATO allies would be so lacking in effectiveness that the value of their very existence would become questionable.

European governments and citizens are continuing to make sacrifices for Western defense, but in the long run, their willingness to continue to do so will depend largely upon their conviction that these sacrifices actually produce meaningful results.

In this connection, I think we should bear in mind that European contribution to common defense is not only a matter of willingness, but also one of capacity.

The real income of the average European, despite the remarkable European economic recovery, is still less than one-half the average of the average American citizen. The smaller the per capita income and the lower the consumption level of any country, the greater is the impact on that country's economy of the proportion of national resources which is devoted to defense purposes.

We should not lose sight of the fact that a country with a lower gross national product may be making an equivalent, or even greater, sacrifice for defense through a smaller percentage of GNP allocated for defense than countries with a higher national income.

Moreover, contrary to popular belief, the relative tax burden on the average European citizen, despite reductions which have occurred in some countries, is still greater than that of the average American.

I think we must conclude that by and large our European allies are doing a creditable job and carrying a reasonable and substantial share of the load.

Under these circumstances, it seems clear to me that any reduction in the proposed military assistance programs for Europe will retard the flow of material necessary for the modernization and maintenance of allied forces which the best military judgment, in the United States and in NATO, considers essential for our security.

## EFFECT OF SMALLER AUTHORIZATION

The authorization by the Congress of a smaller amount for military assistance than that requested means that some important programs planned for fiscal year 1960 will have to be deferred. The fact that there are certain fixed costs for the maintenance of equipment now on hand means that the modernization programs will be the first to be affected.

Obviously, the appropriations bill as passed by the House would cause an even more damaging delay in the modernization of NATO forces.

I believe it is essential that the full amount now authorized by the Congress be appropriated so as to avoid even this further postponement in developing NATO forces to levels of effectiveness required by NATO plans, during a period which may be one of the most critical ever faced by Western civilizations.

You will recall that the President, in transmitting to the Congress the interim report of the Draper Committee, emphasized his belief that this program—

is the minimum required to support our own Nation's security and the common defense of the free world.

He has thus underscored the committee's findings that there is an imperative need for the Congress to authorize and appropriate the full amount requested for both economic and military assistance in the mutual security programs for fiscal year 1960.

## SPECIAL PROGRAM

I would like to comment briefly on the special programs, outside the military assistance for NATO. No economic aid is proposed for Western Europe except for a few special situations related to key U.S. interests, including Spain, Yugoslavia, and Berlin.

The \$65 million economic assistance proposed for Europe in fiscal year 1960 is 17 percent below the estimated program for fiscal year 1959, and 40 percent below that for the previous year.

The largest program of economic assistance proposed for Europe is that for Spain, with which we have worked out a system of joint sea and air bases beneficial to both countries. The program includes defense support and technical assistance. The maintenance and development of cooperation with Spain necessarily depends upon Spain's economic stability, which the proposed defense support is designed to strengthen.

This assistance will be used mainly to control inflation. Spain is looking to other sources of financing for its new capital equipment needs.

We are also proposing moderate special assistance and technical assistance programs for Yugoslavia. This does not imply any approval of the Yugoslav political and economic systems.

The central fact about Yugoslavia that concerns us is its independence, and its determination to remain independent with no aggressive designs.

Our program of assistance to Yugoslavia demonstrates a cardinal principle of our philosophy of international relations.

Unlike the Soviet Union, we do not demand, as a price of our cooperation, that other nations remake themselves in our image. We do not demand subservience.

Where any state shows a resolution to maintain its independence and to honor its international obligations and responsibilities, we believe it is in the interest of the United States to assist that state to survive.

It is equally important that we demonstrate to the Soviet-dominated nations of Eastern Europe, which may in future years make efforts to achieve a larger measure of independence for themselves, that such efforts will be viewed sympathetically by the free world.

Included in our program is \$3.5 million representing proposed contributions to and support for three multilateral programs in Europe in which the United States participates on a partnership basis. These are the European Productivity Agency, EPA; the scientific and technical personnel program of the Organization for European Economic Cooperation, OEEC; and the NATO science program. Each of them makes an important contribution to promoting the economic and scientific cooperation of the Atlantic community and thus to promoting U.S. interests.

Finally, the program for Europe provides for continuing assistance to Berlin as a manifestation of U.S. support for the citizens of that beleaguered outpost of the free world. The importance of maintaining the morale of the Berlin population so that it will remain resolute in resisting Communist encroachment needs no elaboration at this time of crisis.

The amount requested is the minimum necessary to continue the various activities now financed under the Berlin program.

#### EXAMPLES OF U.S. AID

Examples of such activities helped by U.S. contribution include the construction of housing for refugees, housing for students of the Free University of Berlin, and construction of a medical center at the university, of which the United States will pay a portion of the costs.

The current Berlin crisis serves to remind us of three important facts:

First, the free world can never relax its vigilance in resisting the Soviet drive for world domination;

Second, the unity and strength of NATO, to which the mutual security program makes such a vital contribution, must be maintained; and

Third, Western Europe is still a high priority target of Soviet imperialism.

The outcome of the negotiations over Berlin which we and our allies have been conducting with the Soviet Union may well affect the capacity of the West to resist current Soviet drives to extend Communist influence over Europe. Our ability to weather this crisis, which may be protracted, and emerge successfully from the test will depend on the strength, the unity, and the determination we display.

I cannot stress too strongly the dangerous consequences which would follow if the Soviet Union, or our allies, get the mistaken impression that our support for NATO is slackening at this critical time. Any reduction of the assistance programs below the amount now authorized by the Congress will only further impair the strength



of the NATO security system, and I therefore urge this committee to appropriate the full amount for these programs.

(Additional prepared statements submitted for the record follow:)

STATEMENT OF MARCUS J. GORDON, REGIONAL DIRECTOR FOR AFRICA AND EUROPE, INTERNATIONAL COOPERATION ADMINISTRATION

#### EUROPE

##### *Introduction*

While a significant amount of military assistance is proposed for Western Europe in fiscal year 1960, nonmilitary assistance to that area continues to decline.

Economic assistance for Europe—chiefly for Spain, Yugoslavia, and Berlin—represents only about 3 percent of the worldwide nonmilitary mutual security program for the coming fiscal year. Several small bilateral technical exchange programs previously included for Europe are no longer proposed for mutual security financing. The only remaining such programs—for Iceland and France—are included in the proposed international educational exchange program of the Department of State.

##### *European economic cooperation and the newly developing countries*

Although no programs are proposed for the former Marshall plan countries, their progress toward closer economic integration and toward a larger role in the development of countries outside Europe is of major interest to the United States. The past year was one of fundamental and satisfying progress toward closer economic integration in Western Europe. The two treaties of Rome became effective on January 1, 1958. The first of these established the European Economic Community. This set in motion the mechanism of the Common Market which in little more than a decade will lead to a comprehensive merger of economic interests between France, Germany, Italy, and the three Benelux nations. The companion treaty established the European Atomic Energy Community, known as Euratom. Euratom provides the framework for a large-scale effort among this same group of nations to develop nuclear power for peaceful purposes. Thus the European Atomic Energy and Economic Communities have taken their place beside the European Coal and Steel Community as part of a historic movement toward integration and unity in this vital area.

The efforts made over the past several years to link the Common Market with the other 11 member states of the OEEC by means of a European free trade area were not completed. Differences of view persist among the negotiating countries. We understand, however, that studies are continuing in Europe on both intra-European trade problems and on problems affecting trade relations between Europe and other areas of the free world.

Despite such problems as the foregoing, the Western European nations have continued to make significant progress toward freeing trade and payments and strengthening their economies. For example, in December 1958 most European countries announced the adoption of nonresident convertibility.

I should like to call attention to an important aspect of the Common Market Treaty, namely, its provision for a development fund for investment assistance to the overseas countries and territories associated with the European Economic Community. The Fund will have available \$581 million for the first 5 years of its operations. We understand that preliminary discussions concerning the use of these funds, primarily in Africa, are already underway.

It is estimated that between 1954 and 1958 about \$1 billion a year in public loans and grants was provided by European countries—principally France and the United Kingdom—to less developed areas outside Europe on a bilateral basis. Technical assistance, educational scholarships, and other forms of assistance are being extended bilaterally by individual countries. Germany, Denmark, and the Netherlands among other countries operate such programs for the benefit of independent less developed countries outside Europe. Within the OEEC area, the member countries combined to provide advice and substantial financial assistance to Turkey and they continued their program of technical assistance to Greece, Turkey, Yugoslavia, and southern Italy.

#### ACCOMPLISHMENTS

I would now like to turn to more specific discussion of those few countries in which we continue to have economic programs. Some examples of the accomplishments of these programs will indicate the progress we are making toward our mutual objectives.

*Spain*

The committee will recall that in 1953, the United States and Spain signed a series of agreements to construct and jointly operate a series of air and naval bases on Spanish territory. Concurrently, the United States agreed to provide Spain with military and economic assistance. The military bases are now virtually completed and are operational, as is the pipeline to supply these bases.

Without U.S. economic assistance this would probably not be the case. Spain's economy, severely damaged by civil war and by long isolation from the rest of the Western World, was in no position to support, unaided, the major military construction which has been undertaken. The living standard of its people was one of the lowest in Europe. Even with the substantial U.S. assistance which has been made available in the last 5 years, Spanish efforts to improve their economy have not been completely successful. Inflation continues to be a major problem facing the Spanish economy. Because this is the case, the major portion of U.S. economic programs to Spain have consisted of raw materials and agricultural commodities.

In addition, however, U.S. programs have contributed to important basic improvements in the economy which has grown rapidly since 1953. Gross output has increased by an average of 6 percent per year in real terms. Industrial production has risen by about 10 percent annually, and consumption has climbed between 4 and 5 percent per year. A rise in steel output of 70 percent from 1953 to 1958 has been supported by \$8 million worth of steel equipment. In 1958 alone, steel output rose about 10 percent partly as a result of the opening of the first section of Spain's largest steel plant, equipment for which was partially financed by the United States. About 45 percent of the 2-million-ton cement production increase from 1953 to 1958 can be attributed to some \$3.4 million of U.S.-financed equipment.

Over \$30 million of ICA assistance in the electric power sector has been an important factor in permitting Spain to overcome crippling power shortages which were common until the new capacity came into operation. Improvement of transmission systems through the installation of such equipment as circuit breakers and high capacity transformers has helped reduce power transmission losses from 25 to about 18 percent.

With respect to transportation, our main efforts have been directed toward those parts of the systems which serve the strategic bases, but these also have provided important support for the civilian economy. ICA-financed highway equipment, amounting to \$3.8 million, and over \$18 million in U.S.-generated local currencies, have been used to widen and level almost 200 miles of roads, thus completing construction on the priority network of access roads. Highest priority has been given to the rehabilitation of railroads, which had suffered severe damage during the civil war and neglect for most of this century. About \$30 million worth of equipment has been supplied and \$40 million in counterpart funds have been allocated for this purpose. This assistance ranging from diesel locomotives and rolling stock to traffic control equipment and railway ties has been utilized to renew and improve 600 miles of track, principally on the strategic line between Madrid and the bases at Seville and the naval base at Rota.

U.S. programs in the field of agriculture have financed more than \$25 million in agricultural equipment and substantial amounts of U.S.-generated local currencies have been allocated to agricultural improvement projects. These include projects in which 106,000 acres have been irrigated, soil conservation projects where some 49,000 acres have been terraced, and land consolidation projects, where farm families have agreed to consolidate fragmented holdings.

However, it is obvious that the solution of Spain's agricultural problems will not be easy. During the last 20 to 30 years, agricultural investments have been neglected, a distorted price structure has developed, and antiquated production methods have changed little--with the result that production has barely kept up with the growth of population.

In the field of commerce and industry one of the most notable developments has been the establishment of Spain's first school of business administration which to date has graduated 128 trainees, chiefly selected from Spanish middle management.

As the committee knows, Spain has recently taken a major step forward in its international economic relations and internal economic policy. The stabilization program which was announced a few weeks ago is designed to contribute to the continued expansion of the Spanish economy in conditions of stability. The program involves both internal and external measures intended to contribute to financial stability within Spain, as well as to equilibrium in the Spanish external

accounts together with a high level of foreign trade. In addition to internal fiscal and monetary measures, the new steps include an important advance in trade liberalization on a nondiscriminatory basis, unification of the exchange rate and establishment of a par value for the peseta. We have expressed our support for this program.

We have also warmly welcomed the accession by Spain to full membership in the Organization for European Economic Cooperation (OEEC). Both the OEEC and the International Monetary Fund (IMF), which Spain joined a year ago, have been a great help in drawing up the stabilization plans which the Spanish Government firmly intends to put into effect during the coming years. While the implementing actions now being taken by the Spanish Government will have a beneficial effect on the economy in the near future, the initial effects of the trade liberalization measures will increase the Spanish balance of payments deficit.

Recognizing this fact, the international organizations and the United States have agreed to provide a substantial amount of credits, amounting to about \$418 million (including \$45 million in refinancing of European bilateral credits). The OEEC has agreed to extend to Spain credits equivalent to \$100 million out of the resources of the European Fund; the International Monetary Fund has agreed to make available to Spain the equivalent of \$75 million; and financial facilities will be provided from the United States sources amounting to about \$200 million.

The financial facilities to be provided to Spain from United States sources will consist of the following:

#### U.S. Government:

|  |                |
|--|----------------|
| Defense support assistance during fiscal year 1960, subject to congressional appropriations .....  | \$40, 000, 000 |
| Assistance to be extended by the Export-Import Bank for loans on industrial projects already under study .....                                       | 30, 000, 000   |
| Sale to Spain, for payment in pesetas, of agricultural products to be agreed upon, pursuant to Public Law 480, estimated at an export value of ..... | 60, 000, 000   |

|                                     |               |
|-------------------------------------|---------------|
| Total .....                         | 130, 000, 000 |
| Private bank credits totaling ..... | 68, 000, 000  |

#### Yugoslavia

The special assistance program in Yugoslavia, combined with the other U.S. programs such as Public Law 480 and the Development Loan Fund, has been a major factor in strengthening the independent position of Yugoslavia outside the Soviet bloc. This is a most significant accomplishment. The example of our firm resolve to help countries preserve their independence without attempting to dominate their internal affairs is not lost on the other countries of the free world, nor on the Soviet bloc. The Yugoslav reply to Soviet accusations concerning U.S. assistance stands as a testimony to our position. In essence, Yugoslavia said that U.S. help was being given free of any political conditions, in sharp contrast to assistance accorded by the Soviet Union.

The principal development over the past 18 months has been a new deterioration in Yugoslav and Soviet Union relations. This began openly in December 1957 and culminated in the suspension of Soviet credits to Yugoslavia in May 1958. In addition to the suspension of credits, some of which were for vital industrial plants, imports such as wheat and coal were delayed.

Since fiscal year 1951, U.S. economic assistance to Yugoslavia, including Public Law 480, has averaged about \$90 million. This assistance has prevented Yugoslavia's economy from foundering, filled a severe balance-of-payments gap, and permitted a level of investment sufficient to build an economy capable of existing without undue economic dependence on the Soviet bloc. The economy has been substantially strengthened averaging a 10 percent annual increase in gross output between 1948 and 1958. The balance of payments deficit remains large however.

In recent years the composition of U.S. programs has been changing to include greater emphasis on agricultural commodities and, more recently, development projects under DLF. Special assistance, as a percentage of the total program, has been reduced to the minimum required for certain special commodity imports, such as U.S. coking coal, and to support an expanded technical cooperation program.

Even though Yugoslavia has continued to be Communist, major shifts in economic policy have occurred during the period of U.S. assistance. Decollectivization of farms, termination of forced deliveries, decentralization of economic

activity, and increasing dependence upon fiscal and monetary controls as contrasted with direct government intervention, have taken place. Economic and political ties with Western Europe, particularly, have been improved through Yugoslavia's observer status in OEEC and by full participation in the European Productivity Agency.

The U.S. programs, especially technical cooperation, have introduced more modern ideas and techniques. Under the technical cooperation program, over 1,500 Yugoslav participants have observed technical practices or undergone training in the United States.

Without economic assistance from the West, the Yugoslav people would have suffered severe economic distress. The country's resistance to Soviet domination would have weakened, with consequent dangers to the West, including that of direct Soviet land access to a position overlooking the north Italian plain. Economic help has provided the internal strength on which the Yugoslavs can base their independence, and on which they can maintain it, unmoved, either by Soviet enticement or threat.

### *Berlin*

The contrast between the hungry, dark, and blockaded city of 1949 and the West Berlin of today is one of the most striking examples of successful achievement in our economic programs. Berlin now serves as a bright "show window of freedom." Since 1949, the number of unemployed has dropped from 300,000 to below 80,000 despite a continuing influx of refugees. Per capita industrial production has risen about 3½ times from 40 percent of prewar in 1950—a year after the blockade was over—to 141 percent of prewar in 1958. Gross output rose from about \$900 million in 1950 to about \$2.4 billion in 1958.

Examples of activities helped by the U.S. contribution include the construction of 413 medium-cost houses, primarily to house refugees. These houses, imported in sections from Finland, cost the United States \$1.3 million in U.S.-owned Finnish marks. The German Government provided about \$1.7 million in German-owned counterpart funds for the project. Construction has also begun on a student village which, when completed, will provide housing for 650 men and women of the Free University. Another project now coming off the drawing boards is the construction of the Free University Medical Center which will provide up-to-date medical teaching and clinical facilities. The estimated cost, of which the United States will pay a portion, is \$14 million in deutsche mark equivalent.

In recent years, as the Federal Republic of Germany has regained its economic strength, the greatest part of the burden of economic assistance for West Berlin has, of course, properly been financed from the Federal Republic which provides support of over \$300 million per year. The amount of U.S. economic assistance has markedly declined. The U.S. contribution under the mutual security program remains important, however, as a concrete expression of American concern for the free citizens of Berlin. Projects financed with these funds provide tangible demonstration of U.S. support. Such demonstrations are important to the maintenance of the morale of West Berlin citizens and help the city serve as an example to the Eastern European people of Western accomplishments in a free society.

### *Multilateral programs*

The United States is also participating on a partnership basis in three European regional programs.

The oldest of these is the OEEC's European Productivity Agency (EPA), organized in 1953 to coordinate and carry forward the technical exchange activities initiated under the Marshall plan.

Programs undertaken by the EPA have included a wide range of projects to improve European productivity and management of its economic resources.

EPA is expanding its assistance to less developed areas to provide European training facilities for ICA-financed participants from southeast Asia and Africa. EPA's demonstration project on development techniques, in Sardinia, has so impressed the Italian authorities that the latter are initiating similar projects of their own. A team of Greek, Turkish, and Yugoslav officials has studied the project with a view toward establishing further demonstration centers elsewhere in southern Europe.

Another important multilateral program is the OEEC scientific and technical personnel program, which began in fiscal year 1958. Its main objective is to increase the supply of scientific and technical personnel, largely through improving education in science and mathematics, especially at the secondary school level.

The total cost of this program (approximately \$1 million for fiscal year 1958) has been shared equally between the United States and the OEEC countries.

The NATO science program has a somewhat different emphasis but also aims at overcoming the present scientific shortfalls and at furthering scientific cooperation among NATO countries. Initiated in the current fiscal year, the program stimulates the exchange, between NATO countries, of postgraduate and post-doctoral students of pure and applied science. It also provides for short-term meetings of advanced scientists to study specific problems of concern to the alliance and is planning a series of cooperative scientific research projects.

#### *Proposed fiscal year 1960 programs*

As in recent years, the economic assistance program proposed for Europe in fiscal year 1960 is directed at a few special situations related to strategic U.S. interests. The \$61.6 million proposal is 17 percent below the \$74.6 million estimated program for fiscal year 1959 and 40 percent below the program in fiscal year 1958. It represents a minimum proposal to meet these interests and takes fully into account the prospective operations of the Development Loan Fund, the provision of surplus agricultural commodities under Public Law 480, and the availability of foreign currencies. The table on page 7 of the European regional book details the proposal for the European area.

As previously stated, the program for Spain for fiscal year 1960 is the largest economic program proposed for Europe. The amount proposed, plus the surplus agricultural commodities supplied under Public Law 480 and capital assistance from U.S. and international institutions, is necessary to strengthen Spain's economy so that it can contribute to the common defense. The continuing inflation and increased imports have virtually exhausted Spain's foreign exchange reserves and serious problems would arise without U.S. help.

The defense support program for fiscal year 1960 will help the Spanish Government in taking the needed measures and in cushioning the effects such a program is bound to have on the Spanish economy.

In addition to the defense support program, technical cooperation of \$1.2 million is proposed to continue to narrow the gap between Spanish industrial and agricultural techniques and more advanced techniques.

The fiscal year 1960 program for Yugoslavia proposes a continuation of the special assistance and technical cooperation programs along the lines of recent years. Some essential capital needs of Yugoslavia, among them projects canceled by the Soviet Union, are being met through the Development Loan Fund. The proposed special assistance program for fiscal year 1960 takes account of this as well as the U.S. agricultural products expected through Public Law 480 sales. This combination of various forms of U.S. assistance will, I believe, enable Yugoslavia to continue its posture of independence so successfully maintained in previous years.

Failure to restore the level of funds for special assistance would probably mean that the program for Yugoslavia would have to suffer considerable reduction. If this were the case, the United States would be unable to continue to assist in providing the Yugoslav economy with certain commodity imports such as U.S. coking coal. These commodities cannot be financed by other U.S. economic programs of which Yugoslavia has also been a recipient.

We also propose continued support for Berlin approximately as in last year's program. I do not think I need to underline the statements previously advanced regarding the importance of this for morale purposes and as a demonstration of our free system. As in previous years, we expect that the dollar funds will be used for a section 402 sale to the Federal Republic to produce deutschmarks, thus achieving a multiple purpose.

Needless to say, in the current situation, it would be a matter of considerable concern to be forced to reduce the level of U.S. assistance which we have proposed for Berlin. Yet, as the ICA Director has pointed out, this will probably result if cuts in the level of special assistance funds are not restored.

For the multilateral programs a small increase is proposed in fiscal year 1960, because of the expansion of contributions to the new scientific programs undertaken in the past 2 years. The program for the European Productivity Agency remains at the same level.

Among future activities programed under the OEEC scientific and technical manpower program are the establishment of specialized training centers, the preparation of science films and textbooks, and several projects for improving basic education in the less developed OEEC countries.

The NATO science program is to be expanded in its second year in part to promote greater efforts in cooperative research. In both the NATO and OEEC programs the proposed U.S. contribution, while increasing, would be less percentage-wise than in the present fiscal year due to increased European contributions.

A reduction of amounts available for multilateral programs, which would in all probability result if cuts in the level of special assistance were not restored, would create serious problems for these programs. All three are geared to contributions on a multilateral basis from NATO and OEEC countries. A reduction in any one of these programs would inescapably result in lessening the incentive on the part of European countries to be forthcoming with their own contributions. Because of the difficulties of prorating a reduction among the three, a cut might lead to the decision to eliminate one of them completely.

#### CONCLUSION

The mutual security proposal for Europe in 1960 represents a carefully considered selection of programs which are vital to U.S. interests. In Spain, internal economic stability would contribute to the continuing successful operation of our important complex of bases; in Yugoslavia, the country's independent stand before Soviet threats is based upon the existence of an alternative to Soviet trade and aid; in Berlin, U.S. support serves as a constant reminder that we are dedicated to the preservation of liberty in the center of Europe; and in the multilateral programs we promote the cohesiveness of the North Atlantic Community by participating in activities designed to develop and share the benefits of advanced knowledge to all the free world.

I would welcome any questions which you may have about the program.

#### STATEMENT OF MAJ. GEN. JOHN S. GUTHRIE, DIRECTOR, EUROPEAN REGION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS

Mr. Chairman and members of the committee, I am happy to be able to appear before you today to augment the testimony given back in June by General Norstad on military assistance for NATO, and to provide further information as to the funds required for the European area to achieve the proposed military assistance program as authorized by the Congress for fiscal year 1960.

Although the presentation books which you have dealt with Europe as an entity which includes Spain but excludes Greece and Turkey, I will first take up the proposed program for all of the NATO nations as a group.

In terms of overall U.S. military assistance to NATO, it should be noted that the total materiel and training programs proposed for NATO countries this year add up to \$714.5 million. To this should be added the major share of an additional \$174.3 million covering five other worldwide programs which will benefit NATO primarily, but are largely multilateral or cost sharing in nature. These programs represent the U.S. contribution to NATO infrastructure, International Military Headquarters, mutual weapons development, and weapons production, as well as a small amount of undistributed equipment for aircraft modernization and certain missile units. A summary of these programs, totaled for both Europe and NATO as separate entities, and compared with the fiscal year 1959 programs, is shown in table I, appended hereto.

As General Norstad mentioned to you during his appearance before your committee in June, an examination of the NATO accomplishments over the past 10 years, and the current defense posture of NATO, speaks well for the past judgment of the Congress in its support for appropriations for military assistance for this vital area. Considering the situation in Western Europe at the inception of the MAP, I feel sure that no one would disagree that the accomplishments of this alliance would have been out of the question but for U.S. assistance. You will recall General Norstad's evaluation that, after 10 years of effective performance as a deterrent to Communist aggression, the NATO force posture now supported in varying degrees by the military assistance program would, if provided by the United States alone, require a U.S. slice of some 3¼ million men from our own Defense Establishment just for Europe.

There is no doubt that the overall U.S. contribution to NATO has vastly exceeded that of any of the other allies. In financial terms the total U.S. effort exceeds that of all the NATO allies together. Without the participation of these

allies, however, the U.S. position in the world today would have been impossible. On the other hand, if we had attempted to devote only U.S. resources to accomplish the same results by ourselves, we would doubtless be well-nigh bankrupt today.

As it is, in simple terms of dollars, the annual combined defense efforts and expenditures of the European NATO countries, including Greece and Turkey, have more than doubled during the past 10 years. Measured in terms of their total effort, including the commitment of human resources and the total effect upon their economies—that is, the actual effect upon their standard of living—this effort has had far greater implications than simple financial comparisons might indicate.

We do feel that some NATO countries could and should do more; and our current and proposed military assistance programs exclude many categories of materiel previously programed under MAP, which various countries have agreed to accomplish from their own resources.

The military assistance funds include in our proposed fiscal year 1960 program for NATO are confined largely to achieve two general goals. The first is to continue modernization of the basic equipment and weapons, including the replacement of World War II equipment and the progressive introduction of modern nuclear capable armament. In most countries this is to be a cooperative venture and specific cost-sharing projects are now being increased. (Examples: Italy and Germany, current NATO lightweight aircraft production; arrangements now in process for European coordinated production of the Hawk and Sidewinder missiles, mutually financed.)

The second general goal is maintenance of the forces now in being, and in most cases this job is now being done by the individual allies.

I cannot express too strongly the necessity for funds to continue timely modernization of the forces of our European allies, and to support the maintenance of equipment currently in use, where it is beyond country capability to provide for itself. Current effectiveness must be maintained on the one hand, and improved measurably on the other in order to provide the NATO forces with the necessary flexibility to cope with the increasing and diverse capabilities of the Communist bloc.

On page 5 of your blue presentation book for Europe you may wish to examine the summary of our individual country requests for fiscal year 1960. These figures include both the conventional and advanced weapons allotments, as nearly as they could be estimated in light of our total worldwide MAP request. Local requirements for training, spare parts, and a proportionate share in accessorial costs (P.C.H. & T.) are also included in the total shown for each country.

Of the MAP funds planned for the NATO countries in fiscal year 1960, almost half is for missiles and training in their use, which can be accomplished only by U.S. means in the period for which they are required. These missiles meet only a part of the time-phased NATO requirement, but their inclusion in the fiscal year 1960 MAP is in consonance (1) with production capabilities, and (2) with our estimates of country capabilities to man and use these more complex weapons effectively.

Insofar as conventional equipment is concerned, the emphasis is on improvement of the forces, including modern aircraft. We propose to continue the programing of more modern aircraft to provide for improved air defense and anti-submarine warfare capabilities which are required by NATO plans. These are capabilities which these countries would not be in a position to provide from their own resources.

Our efforts are continuing toward provision of needed assistance by methods short of grant aid. These efforts at present take the form of mutually financed joint production, such as the ship construction agreement recently signed between the United States and Denmark, to accomplish much-needed modernization. Other such arrangements are being developed, including ship construction, also in Norway and Portugal. However, each effort in this and similar fields makes it clear that each situation must be treated on an individual basis, taking into account the economic capabilities and political climate in each country.

I believe it is noteworthy that our past programs for missiles and missile equipment, since 1956, are now beginning to pay off in the form of substantial deliveries to NATO country forces. By the end of December this year more than 30 missile units of various types will have been delivered to the forces of 10 NATO countries, including Belgium, Denmark, France, Germany, Greece, Italy, Netherlands, Norway, Turkey, and the United Kingdom. Deliveries to Italy and the United Kingdom will include IRBM's. These and each of the other countries mentioned

will also have received one or more of the Nike, Honest John, Matador, or the Corporal missile units. Ten such units were already delivered to NATO country forces by July 1, 1959.

These missile unit deliveries, which are made possible by the completion of extensive technical training and long leadtime production which has been in process for over 2 years, will provide the European NATO countries with a battlefield retaliatory capacity to counter with increased effectiveness the threat they constantly face because of their proximity to the Iron Curtain. The Department of Defense considers that the funds requested for Europe for fiscal year 1960 are the very minimum essential for continuation of the flow of military assistance necessary to maintain effectiveness of NATO forces to deter, and if necessary, to resist the Soviet threat.

You are already aware, I believe, of the Draper Committee recommendation that substantially greater funds be made available in fiscal year 1960, particularly for support of the NATO effort. As the President has expressed to the Congress, the Draper Committee report makes clear the need for appropriation of the full amount presently requested, and the Department of Defense hopes that you will find this possible.

This concludes my general statement. I will be happy to answer any questions.

TABLE I.—Military assistance programs for Europe and NATO

[Millions of dollars]

|                            | Europe           |                               | NATO*            |                               |
|----------------------------|------------------|-------------------------------|------------------|-------------------------------|
|                            | Fiscal year 1959 | Fiscal year 1960 <sup>1</sup> | Fiscal year 1959 | Fiscal year 1960 <sup>1</sup> |
| Materiel and training..... | 349.6            | 477.2                         | 585.3            | 714.5                         |
| Other:                     | Fiscal year 1959 |                               | Fiscal year 1960 |                               |
|                            | 70.0             |                               | 70.0             |                               |
|                            | 40.0             |                               | 40.0             |                               |
|                            | 4.0              |                               | 20.0             |                               |
|                            | 7.5              |                               | 8.0              |                               |
|                            | 20.2             |                               | 36.3             |                               |
| Total.....                 | 141.7            |                               | 174.3            |                               |

\*Includes Greece and Turkey, and excludes Spain.

<sup>1</sup>Within proposed \$1.6 billion worldwide MAF total.

#### RELOCATION OF PERSONS

Chairman HAYDEN. Is there anything under your jurisdiction that has to do with the relocation of persons who have fled from behind the Iron Curtain?

Mr. KOHLER. Yes, sir; we do not directly handle this in the European Bureau, but we do work closely with the section of the State Department that is in charge of the administration of the refugee program.

Chairman HAYDEN. I was curious to know whether it was succeeding and whether we were actually finding homes for them.

Mr. KOHLER. Mr. Chairman, I cannot qualify as an expert on this subject, but I have kept myself informed and I have been very happy about the progress which has been made in relocating the people who have come out of Hungary into Austria, for example, and the many refugees in Germany and in finding homes for them all over the world. Since its establishment in 1952, the U.S. escapee program has resettled overseas more than 100,000 escapees from Communist countries,



and has assisted in integrating approximately 14,000 others in a country of first asylum.

I believe that the program must continue still, but it is a relatively small program compared to its big days.

I repeat this is hearsay on my part, I am not in charge of these programs, but I have been personally happy about them.

Chairman HAYDEN. Are there any questions, Senator Ellender?

Senator ELLENDER. Yes, I have a few questions, Mr. Chairman.

I listened to your statement with interest, Mr. Kohler, and I find it proposes nothing new; it is the same as the story we have been getting for years, and that is, how bad things are in our relationship with the Soviet Union.

I notice in the first paragraph you say that the United States is now at one of the most critical points in its relations with the Soviet Union since the end of the war.

What is your basis for that statement?

#### GERMAN PROBLEM

Mr. KOHLER. The basis of that is the challenge that was made to a vital U.S. and Western interest in Berlin on November 10 of last year, by the chairman of the Presidium of the Soviet Union and the subsequent attempts to find a settlement of this problem.

While some of the heat has gone out of this question in the sense that the ultimatum originally scheduled for May 27 was shelved somewhat, the basic position of the Soviet Union in terms of its challenge to our right to remain in Berlin and to protect two and a quarter million West Berliners has not changed.

Senator ELLENDER. Are you not rather disappointed to find that we are in a worse condition now than when the program started, notwithstanding almost \$80 billion of grant and loan aid we have bestowed on our friends in Europe and Asia?

Mr. KOHLER. No, sir; I would not agree that we are in a worse position.

Senator ELLENDER. That is what you say.

Mr. KOHLER. We are in a better position to deal with this crisis, but I, nevertheless, feel that it is a very critical situation when we have for the first time since really the Berlin blockade a direct challenge by the Soviet Union to a vital Western position.

There have been a great many more indirect challenges, but this was a direct one.

Senator ELLENDER. Though we have spent billions since 1947, and have increased the capability of our allies in Western Europe, I am very much surprised and really disappointed that you should now say that we are in worse shape, the most critical position, since World War II.

Were you considering our own economy when you reached that conclusion?

During this past year, we have gone into the red another \$12.5 billion. Our debt has increased by the billions since we started this program, and for these reasons, Mr. Secretary, I am afraid that we are making ourselves so weak economically that Russia will eventually get the best of us. Do you not agree with that?

Mr. KOHLER. No, sir; and I think we are discussing a little bit two different subjects. I am not saying that we are in worse shape.

Senator ELLENDER. You are not saying that we are in worse shape?

Mr. KOHLER. No, sir; I think on the contrary that we are facing a critical period —

Senator ELLENDER. I mean economically, now.

Mr. KOHLER. I mean economically, militarily, anything else.

#### CRITICAL PERIOD IN UNITED STATES SOVIET RELATIONS

This was not the intent of my statement. The statement is that in our relationship with the Soviet Union we are in a critical period. Actually, I think that our strength has so developed in these last years since the war that we are in a much better situation to deal with this crisis and with this direct challenge; and in fact, I believe that there are indications that our strength and our indicated determination and firmness and willingness to use that strength as it exists today as a result of all these programs has had an effect on the Soviet leadership which is plainly not pushing this matter to a head in the terms of the ultimatum that was used last November.

Senator ELLENDER. I understand that you were with Vice President Nixon on his recent trip?

Mr. KOHLER. Yes, sir.

Senator ELLENDER. Were you impressed with what you saw in Russia?

Mr. KOHLER. Yes, sir.

Senator ELLENDER. Did you know of this before you made the trip?

Mr. KOHLER. Know of which, sir?

Senator ELLENDER. The conditions existing there and the strength which has been developing in Russia?

Mr. KOHLER. I have followed the Soviet affairs in the years since I was assigned there. I will say, frankly, going back 10 years after I have been there, I was impressed by the development.

Senator ELLENDER. I made visits to Russia for 3 successive years after Secretary Dulles stated to this committee, I believe it was in the spring of 1955 that he felt it was just a question of time when communism would fade out in Russia, and that is what prompted me to go to Russia.

I do not say this boastfully but the information I furnished the State Department is on all fours with what Mr. Nixon has given to the President recently, yet no advantage was taken of the information I secured in 1955, 1956, and 1957.

I guess I was not important enough to warrant any attention.

Mr. KOHLER. No, sir; I think your reports were very welcome to us and a very valuable contribution.

Senator ELLENDER. But nothing was done about it. It strikes me that if we had started the exchange programs and learned more about Russia rather than carry chips on our shoulders, we could have made greater progress, much greater progress.

But now we find ourselves going backward while Russia has made tremendous advances in education, science, and other fields.

When I say "backward," I mean just that. If we continue spending as you are now advocating, sir, with a present debt in excess of

\$285 billion and a carrying charge in interest which comprises about 11 percent of our annual budget, it does not take a smart man to know where it will lead us.

Do you agree?

#### RELATIONS OF FOREIGN AID TO DOMESTIC ECONOMY

Mr. KOHLER. No, sir. I am not competent to agree with it to start with. I would, however, refer to the fact that Secretary Dillon, I believe, has discussed this subject of the relationship of these programs to our domestic economy and that he reaches rather different conclusions than you have just stated.

Senator ELLENDER. He tries to justify it as all of you do. The general is by your side to justify the military assistance irrespective of what effect it may have on our economy.

There is not much effort made by any of you to make our allies pay what they should pay.

I am sure you will agree with me that Europe has never been more prosperous than she now is. Do you agree with that?

#### CONDITIONS IN WESTERN EUROPE

Mr. KOHLER. Speaking of Western Europe; yes, sir.

Senator ELLENDER. Yes, Western Europe. They have never been as well off as they are now.

In the past they have been able to maintain large armies. With all that we have made available to them why can they not carry their own load? We are expending more than 10 percent of our GNP for defense while they are spending only 3½ to 6 percent of theirs, notwithstanding unprecedented prosperity.

Why can we not make them pay more? Certainly they are as interested in mutual security as we are.

Can you tell me why they should not pay more?

Mr. KOHLER. Senator Ellender, I would appreciate the opportunity to comment on this subject. It is a very important one and it is one that I have tried to deal with in fact to some extent in my opening statement.

I think the first thing that I would want to say is that this is a factor of which we on the executive side have always been very conscious and which I think the record shows we have been conscious of and that we have moved on as rapidly as circumstances permit.

#### DECLINE IN U.S. EXPENDITURES FOR AID

The NATO expenditures for military defense have more than doubled since 1950 and they have been maintained over the past few years.

Senator ELLENDER. Whose expenditures?

Mr. KOHLER. The total NATO expenditures, expenditures of the NATO countries on their own military defense.

At the same time, U. S. military aid has declined from a high of \$3.2 billion in 1953 to now under a billion dollars.

In the economic field, from the billions of the Marshall aid plan which have now had their results in the picture you have painted, we have gone down to where we practically have no significant economic programs in Europe.

Senator ELLENDER. No, but we are paying 38 percent of their national obligations, that is what we are paying. That is in the record.

Mr. KOHLER. If I may, I would like to comment further on the other aspect to your question.

Senator ELLENDER. All right, proceed.

#### IDEA OF PARTNERSHIP

Mr. KOHLER. This is a partnership we are engaged in and the direct use simply of gross national product percentage figures, I think, is somewhat misleading.

Senator ELLENDER. That is what was used to justify aid in the past. I never believed it was a good norm. However, since it was introduced by ICA to justify aid in the past I suppose it should be all right to use it now to justify reductions.

Mr. KOHLER. I think we have to keep in mind, Senator, that in this partnership that we have to base our relationship inevitably upon some concept of ability to pay and equality of sacrifice.

There has recently been prepared a new table, as a matter of fact, which figured in a pamphlet which I believe was issued by this committee in which, starting with the GNP of the military expenditures on a per capital basis of income.

After deducting the military expenditures you still have this inordinate difference in the actual per capita income of the various countries and in which we come out very far ahead.

Senator ELLENDER. I believe you covered that in your statement.

Mr. KOHLER. Yes.

Senator ELLENDER. The standard of living in France is not the same as here. They do not have as many automobiles as we do, but they can live more cheaply.

Mr. KOHLER. I am not sure that any Frenchman who wants an automobile has got one.

#### TAX SITUATION IN EUROPE

Senator ELLENDER. In your statement you point out that the taxes in Europe are greater than ours. Now, you ought to know better than that.

Mr. KOHLER. Well, sir, I can submit it for the record because it is a fact.

Senator ELLENDER. The poor people might have a heavier burden because of the sales and excise taxes, but I can assure you that income taxes are not higher than ours. In France, in Italy, and also in Greece, the taxes paid by the rich people there are much less than we pay in America. It is truly scandalous.

There is either no effort made or the governments are incompetent to make the people who earn the large incomes pay what we pay here.

I do not make much money, but I am in the 67 percent bracket.

Why, if they pay 33 percent on an income of a million dollars, they are paying a big tax. That is what I am complaining about. If the governments of these countries made the people who earn the money pay their just proportion of taxes, they would not be here asking us for borrowed dollars.

Mr. KOHLER. Well, sir, this is a question of the method of collecting taxes and it is quite true, I think, that we have a more effective and a more progressive system of tax collection.

In terms of the total tax burden as a percentage of, again, the gross national product, we are way down the list still with Germany and the Netherlands, Austria, France, the United Kingdom, Norway, Italy, and West Berlin, too, ahead of us.

Only in Belgium, Denmark, and Portugal is the tax take relative to gross national product lower than in the United States.

Senator ELLENDER. Well, I am not going to go into any discussion or review about the military assistance to Belgium, but that is a country that ought to be able to help herself, yet because we help others we have to help her.

#### REQUEST FOR TAX TABLES

Senator BYRD. Mr. Chairman, will the Senator yield?

Have these figures been submitted for the record, the figures on these countries that he has just referred to?

Senator ELLENDER. No.

Mr. KOHLER. I would be glad to submit those two tables if I might.

Senator ELLENDER. Who prepared those tables?

Mr. KOHLER. They were prepared in the State Department, sir.

Senator ELLENDER. Where did they get the figures?

Mr. KOHLER. Well, we have a whole economic sector of the State Department that studies these things very closely. I think they could show the sources of their figures.

Senator ELLENDER. When you state that the per capita tax in France is as great as ours, do you take into consideration the state, municipal, county, and other special taxes paid by citizens of the United States?

Mr. KOHLER. There is a full table that goes into that in great detail, the total tax collections of national and local governments, too. So we can submit it either in the small table or in full detail.

Senator ELLENDER. We keep ours separately. Do you have that separate, also?

Mr. KOHLER. We can have it either way.

Senator ELLENDER. We would like to have them separated.

You stated that they pay more taxes than we. Let us have a comparison of the taxes on all levels.

Mr. KOHLER. That is what I have, sir. The table I have in front of me is an estimate of the total tax receipts of all levels of government for all these countries.

Senator ELLENDER. Now, you mentioned aid to Spain—

Senator BYRD. Excuse me, Mr. Chairman. Is that on a per capita basis? I am not talking about the total tax receipts. Are we speaking of per capita?

Mr. KOHLER. It is percent of gross national product, the tax take of all levels of government as percent of gross national product of the country.

Senator BYRD. Could we have it then on the basis of national income?

Senator ELLENDER. They ought to have it on the basis of national income.

Senator BYRD. Can we get that for the record?

Mr. KOHLER. I think the table I have ready is a percent of gross national product. That varies relatively little from a gross national income figure, of course. That is what it really constitutes.

This is the percentage of the total product of the country taken by all levels of government. These are the figures I will cite.

I grant that all statistics can be subject to some criticism. This is probably the best basis on which to compare the tax burden that falls on the whole country.

(The information referred to follows:)

*Ability of European NATO countries to pay for arms they receive from the United States*

| Gross national product per capita | Estimate | Defense expenditures, 1958 estimate (percent gross national product) | 1958 estimated gross national product per capita after defense expenditures subtracted |
|-----------------------------------|----------|--|--|
| Benelux.....                      | 1,193    | 3.4  | 1,152  |
| Denmark.....                      | 1,040    | 2.8  | 1,011  |
| France.....                       | 1,128    | 6.8  | 1,049  |
| Germany.....                      | 1,005    | 3.4  | 971  |
| Italy.....                        | 830      | 3.6  | 811  |
| Netherlands.....                  | 831      | 4.9  | 790  |
| Norway.....                       | 1,137    | 3.7  | 1,095  |
| Portugal.....                     | 727      | 4.2  | 715  |
| United Kingdom.....               | 1,178    | 7.5  | 1,090  |
| Turkey.....                       | 381      | 4.2  | 365  |
| Greece.....                       | 336      | 5.3  | 318  |
| Average.....                      | 863      | 5.4  | 817  |
| United States.....                | 2,450    | 10.4   | 2,195  |

1 1958 estimate (1957 prices).

**FISCAL YEAR 1960 MILITARY SECURITY PROGRAM FOR EUROPE—PRESENTATION TO CONGRESSIONAL COMMITTEES**

**WHY CANNOT NATO COUNTRIES PAY FOR ARMS THEY RECEIVE FROM THE UNITED STATES?**

1. Most of the materiel included in the fiscal year 1960 military assistance program for European NATO countries consists of new weapons and other costly force modernization items which can now be procured only in the United States. NATO planning is based on the assumption that NATO forces will be equipped with these weapons which the highest NATO military authorities consider to be the minimum strength which NATO must have to fulfill its basic mission.

2. The cost of these weapons is so great that European NATO countries do not have sufficient funds in their defense budgets to procure them without sacrificing other elements of their defense effort which are also essential to the NATO security system. Except for Greece and Turkey, European NATO countries have during the past several years taken over increasing responsibility for their conventional maintenance requirements and now meet the bulk of such requirements with their own resources. Moreover, European NATO countries are entering into programs for the coordinated production of certain new weapons which will require substantial additional outlays.

3. Despite strong political and economic pressures for reductions in defense spending, European NATO countries maintained a level of defense expenditures in 1958 (total \$13.3 billion) equivalent to that of 1957 (\$13.4 billion) (see tab A). (The slight decline from \$13.4 billion to \$13.3 billion is more than accounted for by a reduction of over \$300 million in German defense expenditures, due to non-financial factors such as delays in selecting modern equipment for purchases and in military construction.) Indications are that the 1959-60 budgets of most European NATO countries will at least compensate for increased costs in wages and material; a few countries have already proposed even more substantial increases in next year's defense budgets.

4. It is true that despite the recognized improvement in their economies over the past several years, European NATO countries still devote a smaller percentage

of their gross national product to defense than the United States. However, the presentation of defense expenditures as a percentage of gross national product, while convenient statistically, can be a misleading standard of a country's defense effort. The smaller the gross national product and the lower the consumption level, the greater is the impact on a country's economy of a given percentage of gross national product applied to defense. The average per capita gross national product of European countries—even after adjustments for comparative purchasing power have been made—is less than half that of the United States; the same ratio exists between consumption levels in the United States and European countries. Consequently, countries with a lower gross national product may be making an equivalent, or even greater, sacrifice for defense through a smaller percentage of gross national product devoted to defense than countries with a higher national income.

5. Notwithstanding their lower incomes and lower consumption levels, European NATO countries carry a higher average tax burden (ratio of total tax receipts to gross national product) than the United States (see tab. B).

6. In order to increase defense expenditures, European NATO countries would have to raise taxes or cut back on investments or on other nondefense expenditures and the United States continues to encourage such increases to the greatest extent possible. However, such increases are politically very difficult to bring about in most all countries, and impossible in some. It must be kept in mind that the United States would only stand to lose in the last analysis if new taxes for defense, or diversion of funds from other sectors of the budget to meet defense goals, were to produce political reactions endangering moderate governments or strengthening Communist or neutral trends.

7. It is true that the level of European investment in recent years has been proportionately higher than that of the United States. Similarly, Western Europe's overall balance of payments position has been improving whereas that of the United States showed a large deficit last year (though a substantial part of this deficit represents U.S. investment abroad.) However, we should not forget that a primary aim of U.S. postwar policy has been the promotion of economic stability in Western Europe since a prosperous and expanding Europe is not only a form of insurance against internal political extremism but also contributes to a rising level of free world economic activity, strengthens the economic foundations of NATO, and provides dramatic proof that free economies can grow without the forced investment characteristic of the Communist system. Notwithstanding the high level of investment in Western Europe in recent years, the discrepancy in gross national product between the United States and European countries is still great. Western Europe is now emerging from a leveling off period and to resume its economic growth must set in motion expansionary forces without provoking inflation. Curtailment of investment would prevent the development of expansionary forces. On the other hand, increased defense expenditures, superimposed on present levels of investment, would increase inflationary pressures, jeopardize recent economic gains, and retard the resumption of economic growth which is in the best interest of the entire free world.

8. It is, of course, fitting that the United States, along with the rest of the free world, should benefit from Europe's improved economic situation. The United States is, therefore, encouraging NATO countries to increase their defense expenditures where this is economically and politically feasible. It is also working to eliminate European discrimination against dollar goods and is seeking to elicit greater European assistance to the less developed areas of the world.

9. It is also important to emphasize that the defense contributions of the European NATO countries are reflected not only in defense budgets but also in the provision of bases and manpower. Since land utilization is a critical problem in Europe, the provision of large areas for base and other facilities represents a considerable sacrifice on the part of our NATO allies. Their contributions of military manpower in situations of full employment, and of technical and scientific skills in generally short supply, also represent sacrifices of productive capacity.

10. Finally, the arms supplied to European NATO countries under MAP provide the margin of assistance which is essential if European NATO forces are to reach the levels of effectiveness required by NATO plans. The importance of effective NATO forces has been made abundantly clear by the testimony of the highest U.S. military authorities and by the report of the Draper Committee. Without U.S. aid, a large portion of these forces would lose much of their usefulness. The extent of our aid should be determined by the degree to which it serves U.S. security interests.

## Estimates of total tax receipts of all levels of Government

(In millions of dollar equivalents)

|   | 1955 or 1955-56 |  | 1956 or 1956-57 |  | 1957 or 1957-58 |  | 1958 or 1958-59 |  |
|---|-----------------|--|-----------------|--|-----------------|--|-----------------|--|
|   | Amount          | Per-<br>cent<br>of<br>gross<br>na-<br>tional<br>prod-<br>uct | Amount          | Per-<br>cent<br>of<br>gross<br>na-<br>tional<br>prod-<br>uct | Amount          | Per-<br>cent<br>of<br>gross<br>na-<br>tional<br>prod-<br>uct | Amount          | Per-<br>cent<br>of<br>gross<br>na-<br>tional<br>prod-<br>uct |
| Belgium-Luxembourg.....                 | 2,354           | 22.8   | 2,344           | 22.0   | 2,526           | 22.6   | 2,475           | 22.2   |
| Denmark.....                            | (1)             |  | 961             | 21.6   | 1,047           | 22.0   | 1,062           | 21.9   |
| France.....                             | 12,468          | 30.9   | 13,700          | 31.1   | 15,267          | 31.4   | 17,502          | 31.1   |
| Germany.....                            | 13,735          | 32.9   | 14,969          | 32.6   | 16,411          | 32.9   | 17,205          | 32.5   |
| Italy.....                              | 6,039           | 26.7   | 6,678           | 27.6   | 7,022           | 27.3   | 7,624           | 28.0   |
| Netherlands.....                        | 2,385           | 30.6   | 2,540           | 30.0   | 3,052           | 33.1   | 3,053           | 32.4   |
| Norway.....                             | 1,025           | 29.6   | 1,061           | 27.9   | 1,138           | 28.9   | 1,160           | 29.2   |
| Portugal.....                           | 299             | 16.3   | 324             | 16.6   | 352             | 17.6   | 340             | 16.7   |
| United Kingdom (calendar<br>years)..... | 16,024          | 29.7   | 16,778          | 29.7   | 17,856          | 28.8   | 18,620          | 29.2   |
| Austria.....                            | 1,149           | 29.9   | 1,318           | 31.1   | 1,491           | 31.9   | 1,548           | 31.3   |
| West Berlin.....                        | 815             | 29.3   | 850             | 28.0   | 863             | 27.5   | 618             | 25.7   |
| United States.....                      | 96,200          | 24.7   | 105,600         | 25.2   | 112,300         | 25.5   | 110,200         | 25.2   |

<sup>1</sup> Not available.<sup>2</sup> ICA/W estimate.

## RELATIVE TAX BURDENS OF UNITED STATES AND WESTERN EUROPEAN NATO COUNTRIES

1. In most Western European countries the tax burden is heavier than in the United States. The most useful, and most readily available, measure of tax burden is the ratio of total tax receipts to gross national products (GNP). It is clear from the attached table, covering 11 European NATO countries, that in all except 3 the tax burden is significantly higher than in the United States; the ranking below highlights this relationship.

## Ratio of tax receipts to GNP, 1958 or 1958-59

| Country             | Percent | Country                 | Percent |
|---------------------|---------|-------------------------|---------|
| Germany.....        | 32.5    | Italy.....              | 28.0    |
| Netherlands.....    | 32.4    | West Berlin.....        | 25.7    |
| Austria.....        | 31.3    | United States.....      | 25.2    |
| France.....         | 31.1    | Belgium-Luxembourg..... | 22.2    |
| United Kingdom..... | 28.0    | Denmark.....            | 21.9    |
| Norway.....         | 29.2    | Portugal.....           | 16.7    |

Also, since most Western European countries rely much more heavily than the United States on indirect taxes, the impact of taxes is proportionately more severe for the majority of the people, in lower- and middle-income groups.

2. There have been no significant changes over the past several years in levels of tax rates in Western Europe, although a few slight reductions have occurred, usually in order to reduce the restrictive effect of earlier increases in certain selective taxes, e.g., investment taxes, imposed for anti-inflationary purposes.

3. The tax burden, however—the ratio of tax receipts to GNP—has increased in most countries over the postwar period. ECE studies indicate that from 1950-56 "broadly speaking, it seems that higher indirect and direct tax burdens were associated with increases in the share of public expenditure, first for defense, in the years following the Korean war, and then for other purposes \* \* \*".

4. The attached table provides detail as to the changes in the tax burden over the period subsequent to 1956. In all except West Berlin the current ratio is higher than in 1956; for the United States, however, there was no increase.

5. Compared to last year, however, the tax burden declined slightly except in Italy, Norway, and the United Kingdom; it also declined in the United States. This is not surprising, of course, in view of the slight recession in Western European economic activity during 1958. Any slowing down of activity and income is reflected in receipts from taxes levied on incomes and profits and more markedly in receipts from customs duties and indirect taxes.

<sup>1</sup> Economic Bulletin for Europe, May 1958, vol. 10, No. 1, p. 25.



## Defense expenditures and GNP of NATO countries, 1956-58

[Dollar amounts in millions]

|                          | Defense expenditures <sup>1</sup> |              |             |              |             |                   | GNP per capita, 1958 <sup>2</sup> | Private consumption per capita, 1958 <sup>2</sup> |             |
|--------------------------|-----------------------------------|--------------|-------------|--------------|-------------|-------------------|-----------------------------------|---|-------------|
|                          | 1938 (percent GNP)                | 1956         |             | 1957         |             | 1958 <sup>1</sup> |                                   |   |             |
|                          |                                   | Expenditures | Percent GNP | Expenditures | Percent GNP | Expenditures      |                                   |   | Percent GNP |
| Belgium-Luxembourg.....  | 2.5                               | \$349        | 3.3         | \$376        | 3.4         | \$389             | 3.4                               | \$1,193   | \$824       |
| Denmark.....             | .9                                | 136          | 3.1         | 147          | 3.1         | 140               | 2.8                               | 1,040   | 702         |
| France.....              | 6.6                               | 3,498        | 7.9         | 3,714        | 7.6         | 3,800             | 6.8                               | 1,125   | 762         |
| Germany (FRG)....        | 15.8                              | 1,717        | 3.7         | 2,134        | 4.3         | 1,800             | 3.4                               | 1,005   | 589         |
| Italy.....               | 6.0                               | 934          | 4.0         | 978          | 3.9         | 1,000             | 3.6                               | 530   | 355         |
| Netherlands.....         | 2.3                               | 488          | 5.8         | 486          | 5.3         | 460               | 4.9                               | 831   | 511         |
| Norway.....              | .9                                | 135          | 3.7         | 147          | 3.7         | 145               | 3.7                               | 1,137   | 669         |
| Portugal.....            | 3.7                               | 80           | 4.1         | 83           | 4.2         | 85                | 4.2                               | 227   | 180         |
| United Kingdom....       | 6.5                               | 4,758        | 8.2         | 4,720        | 7.6         | 4,800             | 7.6                               | 1,178   | 779         |
| Greece.....              | 5.5                               | 135          | 5.3         | 143          | 5.3         | 155               | 5.3                               | 336   | 232         |
| Turkey.....              | 6.9                               | 414          | 4.8         | 475          | 4.9         | 510               | 4.2                               | 381   | 285         |
| Total European NATO..... |                                   | 12,674       | 6.0         | 13,405       | 5.8         | 13,275            | 5.4                               | 866   | 566         |
| Canada.....              | .7                                | 1,888        | 6.4         | 1,829        | 5.9         | 1,800             | 5.6                               | 1,853   | 1,196       |
| United States.....       | 1.2                               | 41,773       | 10.1        | 44,548       | 10.3        | 45,489            | 10.4                              | 2,450   | 1,629       |

<sup>1</sup> Based on NATO definition.<sup>2</sup> IOA estimates.

## U.S. AID TO SPAIN

Senator ELLENDER. I would like you to present it on a realistic basis.

Now, let us refer to Spain. We have given Spain much money in the past. According to your justifications the requirements for Spain, to meet an estimated balance of payments gap is \$220 million.

In order to eliminate this gap, you propose to let Spain have \$130 million under Public Law 480 sales.

From other sources, such as Eximbank, DLF, and IBRD, you expect to defray another \$50 million of this deficit which leaves a deficit of \$40 million to be covered by grant and under defense support.

The \$40 million of defense support will be expended as follows: \$15 million for cotton and soybeans purchases under section 402.

Fertilizer, \$3 million.

Industrial raw materials, \$12 million.

Industry and transportation equipment, \$5 million.

And agricultural equipment, \$5 million, and \$3 million of this amount will be used for spare parts.

Now what further justification do you have for this amount of \$40 million?

Mr. KOHLER. Well, sir, there are some elements to the Spanish story that need to be added here. We have with Spain the base agreements under which we have the use of very important bases.

Senator ELLENDER. We also have many people there who stimulate the Spanish economy.

Mr. KOHLER. Actually, I have heard it said even that in some ways we were responsible not for improving, but for complicating Spanish economy by our coming in and our expenditures and by the inflationary spirals which some of this led to, so that our aid has been calculated with these commodities to prevent inflation and to develop a stable economy in Spain.

Since the preparation of the books that you have cited in fact this has come to a rather critical situation, just last month, in July, which engaged the attention of the IMF as well as the sectors of the U.S. Government and also of the OEEC, the Organization for European Economic Cooperation.

So that a major stabilization program was undertaken and announced to the public in July.

Spain had tried to control inflation not only by the sale of commodities that we provided and by other methods, but also by developing an elaborate and complicated structure of multiple exchange rates and all of this.

As a result of the stabilization deal done in July, which was announced to the press by the Department, and I think it might be of interest to have a copy of that in the record, Spain agreed to undertake monetary stabilization and a lot of economic reform measures and in return international credits totaling \$375 million actually are being made available.

Chairman HAYDEN. Without objection that may go into the record.

Mr. KOHLER. I will be glad to supply that.

(The information referred to follows:)

International credits amounting to \$375 million to assist the Government of Spain in carrying through its financial and economic stabilization program, are being announced today, at the conclusion of negotiations between the Spanish Government and the International Monetary Fund, the Organization for European Economic Cooperation, the U.S. Government, and private banks in the United States.

The discussions in the United States were completed with the visit to Washington last week of the Spanish Minister of Commerce, Sr. Don Alberto Ullastres, and other Spanish officials, who held talks with the International Monetary Fund and also with the Secretary of the Treasury, Mr. Robert B. Anderson; the Acting Secretary of State, Mr. Douglas Dillon; the President of the Export-Import Bank of Washington, Mr. Samuel Waugh; the Director of the International Cooperation Administration, Mr. James W. Riddleberger; and the Acting Managing Director of the Development Loan Fund, Mr. Robert B. Menapace.

The U.S. Government has expressed its support for the Spanish program which is designed to contribute to the continued expansion of the Spanish economy in conditions of stability. The program involves both internal and external measures intended to contribute to financial stability within Spain, as well as to equilibrium in the Spanish external accounts together with a high level of foreign trade. In addition to internal fiscal and monetary measures, the new steps include an important advance in trade liberalization on a nondiscriminatory basis, unification of the exchange rate, and establishment of a par value for the peseta. The new Spanish program is described in detail in the statement being issued today by the Spanish Government.

The U.S. Government also warmly welcomes the accession by Spain to full membership in the Organization for European Economic Cooperation, announced today in Paris. The United States is confident that Spanish membership in the OEEC will be of great value in promoting closer economic relations between Spain and the other 17 European member countries.

In view of the program adopted by Spain, the OEEC has agreed to extend to Spain credits equivalent to \$100 million out of the resources of the European Fund; the International Monetary Fund has agreed to make available to Spain the equivalent of \$75 million; and financial facilities will be provided from the U.S. sources amounting to about \$200 million.

The financial facilities to be provided to Spain from U.S. sources will consist of the following:

## U.S. Government:

|   |                |
|---|----------------|
| Defense support assistance during fiscal year 1960, subject to congressional appropriations.....  | \$40, 000, 000 |
| Assistance to be extended by the Export-Import Bank for loans on industrial projects already under study.....                                       | 30, 000, 000   |
| Sale to Spain, for payment in pesetas, of agricultural products to be agreed upon, pursuant to Public Law 480, estimated at an export value of..... | 60, 000, 000   |
| Total.....  | 130, 000, 000  |
| Private bank credits totaling about.....  | 70, 000, 000   |
| Total.....  | 200, 000, 000  |

The Export-Import Bank is prepared to consider other project applications from Spain after the \$30 million in credits described above is utilized. In addition, further projects are presently under consideration by the Development Loan Fund.

The U.S. Government has also agreed to the use of 7.4 billion pesetas (equivalent to \$123.3 million at the new par value) drawn from the local currency proceeds of U.S. programs for Spain, to assist in financing the Spanish investment budget for 1959. This is intended as a further contribution to the Spanish stabilization program.

## AID TO SPAIN FROM VARIOUS SOURCES

Mr. KOHLER. This is an international deal, and of the total program—

Senator ELLENDER. Who is involved in this international deal?

Mr. KOHLER. I will give you the picture, sir.

In view of this economic reform program that the Spaniards have undertaken the OEEC has agreed to extend to Spain credits equivalent to \$100 million out of the resources of the European Fund.

The International Monetary Fund has agreed to make available to Spain the equivalent of \$75 million and financial facilities will be provided from the U.S. sources amounting to about \$200 million.

The U.S. share as contemplated for the support of this economic stabilization program in Spain breaks down as follows:

Defense support assistance during fiscal 1960, subject to congressional appropriation, \$40 million. That is the \$40 million we were talking about.

Assistance to be extended by Export-Import Bank for loans on industrial projects already under study, \$30 million.

And sale to Spain for payment in pesetas of agricultural products to be agreed upon pursuant to Public Law 480, estimated export value of about \$60 million.

Then it is anticipated that there will also be private U.S. bank credits of about \$70 million and in addition to this program as announced there will be about \$45 million refinancing of bilateral outstanding credits that Spain owes to other European countries.

Senator ELLENDER. Then the justifications previously submitted to the committee no longer apply to the newly developed situation.

Mr. KOHLER. It has all become now a part of the major effort really to stabilize the Spanish economy which has been limping along for many years with just U.S. assistance.

Now, we have the Europeans interested in this.

## EUROPEAN ECONOMIC COMMUNITY

Senator ELLENDER. How much will we give to the OEEC? We are part of that, too, are we not?

Mr. KOHLER. No, that is European, sir.

Senator ELLENDER. Where will that assistance come from? What countries?

Mr. KOHLER. From the member countries, the European countries who are members of the OEEC, which is the organization which has continued, since it started as the old Marshall plan organization.

Senator ELLENDER. Yes, but we are in there some way.

Mr. Murphy knows about that, I am sure.

Mr. MURPHY. Senator, you are referring to the European Payments Union to which the Marshall plan did make contributions over the years.

Senator ELLENDER. How about the OEEC, we contribute to it?

Mr. MURPHY. No, sir; this is something entirely different. The OEEC funds which Mr. Kohler mentioned are funds of the nations themselves, Senator.

Senator ELLENDER. Do we not contribute some funds to that organization?

Mr. KOHLER. We have an aid program that comes under that, but it is a small technical cooperation program.

Senator ELLENDER. I know that, but I am saying we are a party to it.

Mr. KOHLER. No, sir; we are not a party to it. We are in partnership on two programs.

Mr. MURPHY. We have a million and a half dollars for technical cooperation.

Senator ELLENDER. That is what I was thinking of.

Mr. MURPHY. But that is not associated with this Spanish effort at all.

Senator ELLENDER. But the money comes through OEEC. If it doesn't then, where will the money come from?

Mr. MURPHY. As Mr. Kohler has indicated, from the resources of the European countries.

Senator ELLENDER. What countries? Do you have them?

Mr. KOHLER. I don't have a breakdown on that.

Senator ELLENDER. How much will they contribute?

Mr. KOHLER. \$100 million.

## SALES UNDER PUBLIC LAW 480

Senator ELLENDER. \$100 million. Well, then, you could eliminate the sales under Public Law 480.

Mr. KOHLER. No, sir; that is our part of this program. I may say that the reason I am very anxious to bring up this major economic program which has been undertaken on an international basis with the European countries, with the IMF as well as with ourselves, was that heretofore our aid to Spain has been a sort of stopgap effort to try to keep the inflation from getting out of hand.

Now what we are doing on an international cooperative basis is to try to stabilize the economic situation.

Senator ELLENDER. All right, I am glad to hear that.

Now under your justifications, the estimated balance-of-payments gap is \$220 million.

Now is there some way under the new plan whereby the \$40 million of defense support can be absorbed?

Mr. MURPHY. Senator, at this point may I interject here, the loans that you refer to in the justification are IBRD loans as originally planned. They are not from the Export-Import Bank and DLF.

Senator ELLENDER. Well, it is a bank whether it be DLF, Ex-Im, or IBRD.

Mr. MURPHY. Yes.

Senator ELLENDER. All right, they will get \$50 million from the IBRD.

Mr. MURPHY. I think it would be easier to understand, Senator, if I first could make it plain that the justifications which were prepared in February had an entirely different basis for preparation than we are now talking about as a result of this new international effort.

#### BREAKDOWN OF U.S. EXPENDITURES IN SPAIN

And in order to get it in perspective, I would suggest that Mr. Sause, who is our program officer for Europe, give you the detailed breakdown of the \$200 million which is expected to come from the United States and which would represent a portion of the \$375 million total that Assistant Secretary Kohler has referred to as the international effort.

Mr. Sause can do that and I am sure clear up any question you have.

Mr. SAUSE. As Mr. Murphy pointed out, this was prepared in February before we had the complete details of this package program which has been arranged multilaterally between the OEEC, IMF, and in concert with the United States.

One of the things that Spain undertook to do as a condition of this package program was to liberalize its foreign trade. Heretofore, as you know, the Spanish imports were very strictly controlled and you had to get a license for each and every import.

#### LIBERALIZATION OF SPANISH FOREIGN TRADE

One of the conditions that Spain had to accept in this stabilization program was a fairly significant liberalization of its foreign trade; that is, that importers could go without previously securing a license and import certain commodities.

So that the effect of this stabilization program in the first instance will be actually to increase this deficit which we indicated in February before we knew for certain that Spain was going to liberalize its trade.

Senator ELLENDER. By liberalizing its trade the balance of payments will be increased from \$220 million to what amount?

Mr. SAUSE. I cannot give you an exact estimate at this moment.

Senator ELLENDER. You should be prepared.

Mr. SAUSE. It is much higher than \$220 million. I would have to refer to the International Monetary Fund statement and the OEEC statement as to what they expect.

Senator ELLENDER. I wonder if we could have a statement put in the record here as to what is the expected balance-of-payment gap, and how you expect to meet it.

Mr. SAUSE. Yes, sir.

(The information referred to follows:)

*Spanish balance of payments estimates—Changes resulting from adoption of the stabilization program, fiscal year 1960*

(In millions of dollars)

|                                       | Congressional presentation | Revised |
|---------------------------------------|----------------------------|---------|
| Exports.....                          | 540                        | 670     |
| Imports.....                          | -860                       | -1,150  |
| Total.....                            | -320                       | -480    |
| Net services and capital.....         | 100                        | 230     |
| Estimated balance-of-payment gap..... | -220                       | -250    |
| Sources of financing:                 |                            |         |
| Public Law 480, titles I and III..... | 130                        | 90      |
| Defense support.....                  | 40                         | 40      |
| Other <sup>1</sup> .....              | 50                         | 120     |
| Total.....                            | 220                        | 250     |

<sup>1</sup> DLF, Ex-Im, IMF, OEEC, and private U.S. banks.

**NOTE.**—Neither projection assumes an increase during fiscal year 1960 in Spanish foreign exchange reserves from their present precariously low level.

The stabilization program is expected to have both positive and negative effects on the Spanish balance-of-payments position during the coming year. As the above comparison indicates, export earnings should increase somewhat. A large increase in import payments is expected since one of the conditions imposed by the IMF and OEEC was that a large portion of Spanish imports would be liberalized (i.e., quantitative restrictions, limiting imports heretofore, should be removed). Receipts from tourism (included under "net services and capital") should more than double, according to the Spanish authorities, since tourists will purchase pesetas at the new official exchange rate rather than obtain them from unofficial sources. The net result of these changes is a somewhat larger balance of payments deficit before taking account of stabilization aid receipts.

Reflecting the more favorable crop situation in Spain, the estimate of sales of surplus agricultural commodities under title I of Public Law 480 has been revised downwards. The estimate of defense support remains unchanged. While the estimate of "other" receipts has been more than doubled, it will be noted that the figure is still less than the recently announced amount of loans. (The announcement stated that the IMF would provide \$75 million, the OEEC countries through the European Fund \$100 million, the Export-Import Bank \$30 million, and New York banks \$70 million.) The amount shown in the above table is estimated disbursements; the announcement stated amounts of additional drawing rights. These drawing rights are not expected to be fully utilized during the coming year. For example, disbursements under Export-Import Bank and DLF loans are generally spread over a 2- to 3-year period.

#### AID UNDER PUBLIC LAW 480 PROGRAM

Senator ELLENDER. Of course, you have not overlooked the fact that Spain has received through fiscal year 1959 a total of \$392,650,000 under Public Law 480.

Mr. SAUSE. That will be taken into account.

Senator ELLENDER. And you contemplate in 1960, ——— million dollars more?

Mr. SAUSE. In Public Law 480, title I.

Senator ELLENDER. That is correct, is it not?

Mr. SAUSE. Yes.

Senator ELLENDER. And all that comes from us?

Mr. SAUSE. That is right.

Senator ELLENDER. In addition you are requesting \$40 million for defense support?

Mr. SAUSE. Yes, sir, because this is one part, this is one of the weaknesses of the Spanish program.

Senator ELLENDER. What about balance of payments, Mr. Kohler?

For the first time since the Civil War, as I indicated on the Senate floor, we had a deficit balance of payments last year in excess of \$3 billion. How will we make up that deficit? Can you tell me?

Mr. KOHLER. I am not qualified to answer that one, Senator.

Senator ELLENDER. I do not expect you to be qualified, but you can do it for other countries.

Here we are giving our borrowed dollars to help Spain meet her balance of payments while we have a deficit balance of payments. I do not understand how you people can stand for that.

I am through, Mr. Chairman.

Chairman HAYDEN. Senator Kefauver?

#### CONTRIBUTIONS OF OTHER NATIONS TO NATO

Senator KEFAUVER. Mr. Kohler, have you put in the record here just what contributions various other NATO countries are making in the way of monetary contributions to the NATO effort?

General GUTHRIE. Senator, if I might answer that, sir, this question was raised at the time General Norstad appeared before this committee.

Upon his departure we did submit for the record of that hearing a paper which does give the contributions of the other countries.

Senator KEFAUVER. Do you have an extra copy of that I could examine?

General GUTHRIE. I have just the one with me, sir, if you would like to refer to it.

Senator KEFAUVER. I want to say I preface my question by saying that I am a strong believer in the NATO effort and I think whatever can be done to hold the NATO countries together is in the interest of peace. It is really our best defense effort.

But I certainly agree with what has been said before that these nations are in better economic condition and I hope that they are increasing their contributions, also.

#### INCREASED AID BY BELGIUM

General GUTHRIE. Yes, sir.

As a matter of fact, only a few days ago the Defense Minister of Belgium was over here and broke to us the news that Belgium has just increased its defense budget by 11 percent, to the highest total in its history.

Senator ELLENDER. Was ours reduced in proportion?

General GUTHRIE. Its defense budget?

Senator ELLENDER. Was our contribution reduced?

General GUTHRIE. Yes, sir. We have a quid pro quo arrangement to give them some modern missiles as our part of the deal.

Senator KEFAUVER. I see here that these figures refer to 1958. This is what they actually contributed to NATO in 1958?

General GUTHRIE. Not exactly, sir. It is their total defense budget. With a few exceptions such as the United Kingdom, France, and Belgium, that money is almost 100 percent for NATO.

Senator KEFAUVER. You mean their defense budget is 100 percent for NATO with the exception of France, Britain——

General GUTHRIE. Belgium has the Congo, of course, which is a relatively minor portion.

Senator KEFAUVER. These are by calendar years apparently.

General GUTHRIE. Yes, sir.

Of course, the fiscal years vary in the different countries. Those are the most recent figures available to us.

Senator KEFAUVER. How are things going this year? Can you tell us?

General GUTHRIE. Besides the increase on the part of Belgium. The Italians have announced their plans to increase 4 percent per year for 5 years.

#### MUTUAL WEAPONS PRODUCTION PROGRAM

In addition to that, we have been promoting for some time, in an effort to get the Europeans to do more for themselves, a mutual weapons production program, and just recently a group of nations have come to an agreement on manufacturing our HAWK surface-to-air missile within the group. We think that they are about to adopt the same means of manufacturing the SIDEWINDER air-to-air missile.

They have not yet signed the agreement, but it looks very favorable at this moment.

Senator KEFAUVER. Has France increased her military output, or is she increasing her military output this year?

General GUTHRIE. I do not know, sir.

#### FRENCH DEFENSE BUDGET

Of course, you must recognize that a great proportion of the French defense budget is devoted to their forces in North Africa.

I don't know whether they have or have not increased their own budget.

Senator KEFAUVER. I notice that Iceland is not listed here at all.

General GUTHRIE. Well, they have no military forces, sir.

#### SITUATION IN ICELAND

Senator KEFAUVER. Mr. Kohler, what is the situation with reference to Iceland? Has she pulled out of NATO?

Mr. KOHLER. No, sir; I think actually that the relationship with Iceland has improved. We have, you know, the Keflavik Base, a small base up there.

This relationship has gone on steadily. The Icelanders are dependent mainly on the sale of fish, as you recall. ———.

But the Icelanders themselves have not wanted to become too dependent on any one outlet for their fish and have made real efforts to expand it.

They had elections about 2 months ago, I believe it is. They were the only country that had had Communists in the cabinet. The elections were a slight improvement in that situation from our point of view and show some possibilities of developing into a coalition government there that is strong enough without the Communist participation.

Iceland, of course, is geographically very important and our relationship has gone on quite satisfactorily.



## GERMAN SITUATION

General GUTHRIE. Senator, I might also add to the things being done by the NATO countries, the fact that Germany is completely self-supporting in the military field except for a small MAP grant for training, that is bringing German military people over here to U.S. schools, which we feel pays dividends.

Senator KEFAUVER. What is the military outlay of the Republic of Germany?

General GUTHRIE. I know as of now they have—you have my chart on their total outlay—they have bought over several hundred million dollars worth of military supplies in this country.

Senator KEFAUVER. You have a 3.4 percent of their gross national product. That seems to have been going down every year.

In 1957 it was 4.3. In 1958 it was 3.4.

General GUTHRIE. Yes, sir.

You will recall, of course, the fact that they have had no armament industry of their own, but they are making progress. They are buying modern airplanes from the United States and are very much on the upgrade, I should say. They want to manufacture modern aircraft for sale in Europe and they have also participated in the Hawk and Sidewinder programs.

## UNITED KINGDOM EXPENDITURES

The United Kingdom of course, is virtually on its own except for the IRBM which has recently raised the outlay for the United Kingdom.

Senator KEFAUVER. In 1958 the United Kingdom was 7.5 percent of its gross national product compared with our 10.4 percent. Have they raised that amount this year?

General GUTHRIE. I should not think so, sir. I would guess it is about stable. I am not certain.

## UNITED STATES-SOVIET VISITS

Senator KEFAUVER. What effect, Mr. Kohler, do you think the visits back and forth of President Eisenhower and Mr. Khrushchev will have on the contribution or the attitude of the NATO countries toward supporting NATO? Is that a question which you are willing to discuss?

Mr. KOHLER. Well, it is a somewhat speculative question, Senator, but I am willing to take a shot at it.

We have kept our NATO allies fully informed. I think they all approve this; it is clear that they all approve this as a further effort to educate the Soviet leadership, let us say, in our own strength and in our determination.

Such visits, of course, have some relaxing effect on public attitude. We recognize that. It is part of the calculated risk in promoting this kind of exchange and better understanding.

However, much will depend there on the actual outcome of the conversations. It is our hope that it will not lead to any weakening of the willingness of our NATO allies to keep their defense expenditures up, to keep their forces strong, to keep their will to resist high, because, certainly, that would not be justified.

We have had no indication from the Soviet side whatsoever that their own goals and programs have been changed.

A part of this exercise is to see if we can influence some change or at least an understanding that they are up against more than they have calculated they have been up against to date.

It is rather speculative, Senator. I am afraid this is not a very good answer.

Senator KEFAUVER. I want to say on my own that I am glad that the President is going to visit some of the leaders of the NATO countries before he goes on to the Soviet Union. I would think it would be well if perhaps more of them could have an opportunity of talking with him before.

Mr. KOHLER. He will see the NATO leaders in Paris while he is there.

#### FUNCTIONING OF OEEC

Senator KEFAUVER. Now, sir, is the contribution of these various NATO nations to OEEC calculated as a part of this contribution that they are making to defense expenditures?

Mr. KOHLER. I do not quite understand that question, Senator.

Senator KEFAUVER. We have been talking about OEEC, of which we are not a member and of which I take it all the NATO countries are members, plus certain other European nations.

Do you have a breakdown of what each nation put into OEEC last year?

Mr. KOHLER. I do not have.

Mr. MURPHY. Actually, we may have a misunderstanding, Senator. The countries do not actually contribute as I understand it to the Organization of European Economic Cooperation. They act in concert with their own resources.

Mr. SAUSE can verify this, I think, and explain it further if you would like.

Senator KEFAUVER. I had thought that in discussing the Spanish matter that you stated some contribution was being made to Spain by OEEC.

Mr. MURPHY. By OEEC countries.

Mr. SAUSE. Yes, sir; through the multilateral organization of OEEC, but it is determined by bilateral contributions, they are put in the common fund, but it depends on the capabilities of the individual members.

For example, we can get for the record, Senator, the exact contributions of each of the European countries which totals \$100 million.

It is done through the OEEC, but as a result of contributions from the individual OEEC members to that program.

The countries make a small contribution to the OEEC on an annual basis for its administration.

But when something special, such as the Spanish program, comes up, it depends on the capability of the individual members to make their contribution to any specific purpose.

This is not a regular assessment. They are not assessed on a yearly basis beyond that for the administration of the organization itself.

Senator KEFAUVER. It may not be pertinent here, but just what does OEEC do?

Mr. KOHLER. They started out, Senator Kefauver, as the organization, the cooperative organization, which considered and helped administer and arranged the programs under the Marshall plan for European reconstruction and recovery.

They have continued as a cooperative European Economic organization.

They do not now administer any large fund—I think this gets to your question, which I am beginning to understand—but they organize all kinds of cooperative projects and many of these are done on an ad hoc basis.

#### EXAMPLES OF WORK OF OEEC

For example, the Spanish program is one which was done to meet the Spanish crisis. They then get together, they consult, there is a permanent secretariat that exists for them, and they meet at the ministerial level and other technical levels on the economic side many times to consider all kinds of European economic cooperation questions.

The Spanish program is an example of where they acted together, but on a bilateral funding basis to help the Spaniards.

They also sponsor and conduct a few programs that we participate in. These are the fairly small multilateral programs that figure in our presentation this year. One is the European Productivity Agency which has been set up by this organization and which operates independently with funds contributed by all the member governments.

We are asking, ourselves, on that, for \$1.5 million. This is only a U.S. contribution to this.

Another activity which the OEEC has and in which we participate is this scientific and technical program the purpose of which is to improve the European production—and this is in answer to the Soviet challenge—of scientists and technological experts in various fields by consulting and improving the methods of education in Europe and this kind of thing.

In connection with this they hold summer institutes, they have exchanges of professors and of students and things like that.

So that they are an economic cooperation agency, not actually administering great funds, but tackling European cooperation problems in the economic field.

#### WORK FOR UNDERDEVELOPED NATIONS

Senator KEFAUVER. I have been impressed with some meetings I have been to like the NATO parliamentarians meeting last year and also the NATO citizens meeting this year, that Mr. Spaak and others who are in the political side of NATO particularly feel that in some way or another there ought to be a kind of combined effort of NATO or OEEC members to join with us in trying to help the underdeveloped nations of the world rather than our carrying on these programs unilaterally.

It seems to me if some system could be worked out we could reduce the amounts of our mutual assistance program to the underdeveloped nations.

I wonder if you are working on that and, if so, if OEIEC would not be a good vehicle for their participation in the economic stability of the underdeveloped nations.

Mr. KOHLER. A great deal of thought has been given and discussion taken place with regard to this problem. We have, ourselves, done a lot of things to try to encourage European contributions, as their economic situation has improved, to programs in underdeveloped areas.

So far no structure has been formalized on this and there are varying views as to whether it should be. This gets into Mr. Dillon's and Mr. Mann's side of the Department so that I am not an expert witness on it.

But there has been growing consultation which we have talked about in NATO where we are broadening the whole concept of cooperation and it has been discussed in OEIEC. Also it has been discussed bilaterally by us.

The net result has been that there have been considerable increases in the European participation in programs to help in the underdeveloped areas.

#### WORK OF EUROPEAN ECONOMIC COMMUNITY

Now one institution that is already functioning is what we call the Common Market institution, the European Economic Community of six nations. They have set up a fund of over \$500 million actually for aid in underdeveloped areas, generally speaking in the areas that still have connections with the European countries.

In addition to this, both the United Kingdom and Germany have participated in bilateral programs on an increasing scale so that as of today European contributions to underdeveloped countries' programs run up close to about a billion dollars as against, well, a few years ago no contribution at all when they did not have the ability to do it.

I believe, as a matter of fact, that this also has been a subject of great interest to the Congress for us to stimulate European contributions to aid to underdeveloped countries.

Senator KEFAUVER. There was in a bill which passed the Senate recently and amendment asking that the matter be studied and considered.

Mr. KOHLER. We are pursuing the purpose, sir.

Senator KEFAUVER. It seems a little strange that the leaders of many of these nations, or at least representative citizens, feel that they ought to be brought in on the program and yet we really have not worked out any machinery for enabling them to participate.

Mr. KOHLER. There certainly is increased consultation on the subject.

#### QUESTION OF LARGER DEFENSE CONTRIBUTIONS

Senator KEFAUVER. May I ask what is being done to get these nations to contribute a larger percentage of their gross national product to the defense effort?

This is away out of balance. Ours is running from 13.9 1952, to 10.4 last year, and yet, as Senator Ellender has said, Italy, Germany, France, and Britain and Belgium are doing quite well economically.

Mr. SHUFF. Mr. Chairman, may I answer this question?

I have not identified myself to you, Senator Kefauver. My name is Shuff, I am Deputy Assistant Secretary of Defense for the Military Assistance Programs.

Regularly in our discussion and exposure to these people—and I can speak personally about this because on the trips that I made around the world to look at our responsibilities in the military assistance program, I, myself, have done this—we tell these people about the kind of requirements that are set forth in the NATO planning document. Related to the amounts of money appropriated by the Congress, it becomes increasingly important that these countries do more for themselves.

#### METHOD OF NEGOTIATIONS ON CONTRIBUTIONS

Our country team setup, made up of the Ambassador, the economic, the military, and the information people, also attempts to persuade these sovereign nations. We try to persuade; we cannot force.

Now what has happened in the last 3 years in this respect might be worthy of some discussion now.

Starting first with Norway, a small country in population, but with a tremendously large coastline to defend, Norway has agreed with us to cost-share some of the fulfillment of NATO requirements. This is new. We have achieved this by persuasion.

Denmark is a country which lets us use Greenland rather extensively. They have agreed to cost-share some shipbuilding projects with us in fulfillment of their NATO requirements.

Germany has spent, as General Guthrie has said, several hundred million dollars in the United States to fulfill their plan for making and bringing their military establishment up to what they have promised to NATO.

You questioned their reducing their rate. It has been more expensive in the past because they have had to start from scratch to build up their military establishment. They are getting to the point now where some of the larger expenditures have been passed.

The United Kingdom is on its own with the exception of the IRBM missiles which we assisted them in putting on their real estate.

Denmark is cost-sharing with us in the shipbuilding program.

Belgium is almost exclusively self-sufficient in their maintenance of conventional forces.

(Discussion off the record.)

Mr. SHUFF. Even with Turkey, as poor a country as she is, we have worked out a plan by which the Willys Co. sends kits containing the parts that go to make up a jeep. A factory has been established in Turkey to put these parts together in an attempt to have the price to the American taxpayer and to this program more mutually shared by our allies.

#### PURCHASES FROM THE UNITED STATES

If you will look in this book, Senator Kefauver, at the bottom line of each military assistance program it tells you how much these countries have purchased of their own requirements in the United States.

Denmark, for instance, a small country has purchased a good bit. Senator BIRLE. It might be helpful if you would refer to the page.

Mr. SHUFF. Yes, sir. Its page 36 of the European-African book. The last line covers the value of military sales through 1958. There are various ways that we are doing this.

Now I must admit that we are not always successful. As I have remarked before, this is not exclusively a military program. This is a military program, it is a political program, and it is an economic program.

#### VARIED POLITICAL CONSIDERATIONS

There are political considerations in each individual country that differ from each other individual country. However, we feel that to some extent the degree to which each individual NATO country is best prepared to defend itself also makes a contribution to the defense of the United States. It is for this reason that we continue to attempt to have these people share more equitably the cost of what we and they together know is their contribution to the mutual security of all of Western Europe.

Senator BIBLE. Are there any further questions?

Senator Bridges?

Senator BRIDGES. I notice you say one of the reasons that we helped some of these nations is because of their resolution to honor their international obligations and responsibilities.

#### AID TO YUGOSLAVIA

You said that particularly in regard to Yugoslavia. Now I have in my hand a letter which says:

I am the owner of a substantial block of the Kingdom of Yugoslavia dollar bonds issued in 1932, matured in 1956, sold in this country. No interest has been paid on these bonds since November 1, 1940, and nothing has been paid on the principal. The total obligations of Yugoslavia to American bondholders is approximately \$90 million, \$38 million in principal value, and \$52 million in accrued interest.

Then the letter goes on to cite the very substantial amount of aid extended to Yugoslavia about which I have never been very enthusiastic.

As a matter of fact, I think there is a great question whether it is performing any good or not or whether in the showdown, if it ever comes, where Yugoslavia will stand.

But here is a person who sees us appropriating large sums for Yugoslavia and he is representative of a lot of people who bought Yugoslavia bonds in good faith in this country. How do you answer a letter like the one from which I have quoted?

Mr. KOHLER. Senator Bridges, this is a problem that has not been limited to Yugoslavia in the postwar period. As you know, the Foreign Bondholders Protective Council has been very active in trying to make settlements of this kind throughout the world. In this particular case we have urged the Yugoslavs in recent years to enter into negotiations and to make some arrangements with the Foreign Bondholders Protective Council.

I am not familiar with the details because it only recently happened while I was out of the country, but I understand just in the matter of the last couple of weeks there was concluded an agreement between the Foreign Bondholders Protective Council and the Yugoslav Gov-

ernment relating to this and to the receipt of some payments on these prewar defaulted bonds.

Senator BRIDGES. That is encouraging news. Now, I have in my hand a list of the proposed loans in Yugoslavia, of their application for loans, which amount to some \$113,914,000.

Is this list included in the help you are proposing or is this additional?

Mr. KOHLER. Certainly they are not included in this, but I believe ICA would have to answer this question.

Mr. SAUSE. You are referring to prospective applications to DLF for loan projects? Is that what you are referring to?

Senator BRIDGES. Yes.

Mr. SAUSE. Yes, we take into account in arriving at a recommended figure for Yugoslavia the impact not only of prospective DLF loans, but also of sales under title I of Public Law 480.

Senator BRIDGES. What is the basis of your extending help to Yugoslavia, for example? You are up here today talking about Spain and Yugoslavia. They are two different creatures entirely. One is a firm and fast ally where we have great American bases and great American interests in Spain.

In Yugoslavia we do not know where they stand.

One minute Tito is parading with Khrushchev and sounding off warnings; the next he is our buddy. We just do not know.

How do you justify aid under those circumstances?

#### RELATIONSHIP OF YUGOSLAVIA TO U.S.S.R.

Mr. KOHLER. Senator, I believe I will have to take this one over. I happened to be in Moscow in 1948 at the time of the break between Tito and Stalin and I must say that this hit us with a very great impact.

I do not want to review all the history since that time, but in a very large sense Tito's will to independence and his splitting off from the bloc is one of the phenomenal events of postwar history and in terms of the long-term struggle between Moscow's communism and our own free world, it has had a tremendous influence. This has had an impact, of course, throughout Eastern Europe.

Yugoslavia itself is a country of course, with which we have had a long traditional relationship and from which we have many American citizens who originated from Yugoslavia.

Throughout this period since the break there have been times when this decision was under severe debate after the death of Stalin and the advent of Khrushchev and some attempts were made for a rapprochement between the new leadership in the Kremlin and Marshal Tito.

In all of this, however, Tito and the Yugoslavs have stayed very close to their determination to retain national independence.

The big new break came in December 1957 when, as you may recall, the Yugoslavs refused to send representatives to Moscow for a meeting of the Communist Parties there, which issued the Moscow declaration of December 1957, which is in fact the Communist manifesto, the programmatic document today of world communism.

Thereafter, the Yugoslavs in the spring of last year had their own party conference in which they put out a program that was very contrary to the line of development of Moscow dominated communism to which they refused to adhere.

Actually, the developments inside Yugoslavia I think we have to review favorably. They are not participating in the international Communist drive.

In their own country they are following an independent development. Some of the features that are most distasteful to us, such as the collectivization of agriculture and the destruction of the peasantry, have not taken place in Yugoslavia.

Similarly they have introduced a very rival theory in the management of economy with their workers councils and so forth.

#### CHALLENGE TO MOSCOW

So from our very selfish point of view, it is a tremendous challenge to Moscow dominated communism and one that it is in our interest to sustain as long as Yugoslavia remains independent and is determined to remain independent, and is not a part of the international conspiracy.

Senator BRIDGES. I want to go into this just a little further. At times that has been true, but at other times they have made these statements, Tito and Khrushchev and Bulganin together have made statements that they were going down the road together fighting side by side.

What is that. Do you interpret that as just pure talk?

Mr. KOHLER. I would have to review the documents. But I would have said that Tito has been very careful to keep from subscribing to that kind of statement and the best proof is his refusal to participate in the Moscow declaration of 1957.

Of course, you do have this major question on which you commented as to where, if the chips were down, we would find Yugoslavia.

I served in Yugoslavia once and I think the spirit of the people would compel any government to try to remain independent, not to join perhaps either camp if that could be done.

I will just say this on that major question: I don't think that Khrushchev can be very certain about the answer to that, either.

#### PROSPECTIVE LOANS

Senator BRIDGES. Let me ask you another question.

I listed, of the prospective loans, some \$113 million for Yugoslavia. Outside of those \$113 million, how much have you actually given to Yugoslavia over the years; how much this past year, and how much are you programming for this coming year?

Mr. MURPHY. May I try to help out here, Senator, to be sure that we are fully responsive to your question?

The document from which you first read, sir, is just a list of all of the loan applications which are on hand in the Development Loan Fund as of June 30, 1959.

The sum total of all of those applications exceeds a billion and a half million dollars.

► The President's request for the Development Loan Fund appropriation for fiscal year 1960 is \$700 million.

So at the outset it is clear that if the President's full request is granted he could not even make half of all the loans that are listed on the compendium.



Now, with respect to the loans which have actually been made to Yugoslavia through the end of June, the total loans have been \$51½ million.

Senator ELLENDER. Actual?

Mr. MURPHY. These are actual loan agreements entered into as of June 30, sir.

Senator BRIDGES. Over what period?

Mr. MURPHY. This is since the commencement of the Development Loan Fund which started in the fiscal year 1958 and, therefore, it has had about a year and a half active operation through the end of June, sir.

Senator BRIDGES. Now, what other aid does Yugoslavia get?

Mr. MURPHY. Now, on the grand total of assistance, since the inception of the Marshall plan, Senator Bridges, the economic assistance through the end of fiscal year 1959 totaled \$423 million. That is economic assistance under defense support and, before that, Marshall plan.

The military assistance that has been granted over the years since the commencement of the mutual defense assistance programs since 1959 has totaled ——— million dollars.

In addition, under Public Law 480, there have been sales programs under title I for Yugoslav dinars through fiscal year 1959 of \$385 million.

There is further, Senator, a program proposed for fiscal year 1960, and this, of course, is an estimate at this time, under Public Law 480, of ——— million dollars; also to be a sale under title I.

Senator ELLENDER. What about other aid? You have some other aid?

Mr. MURPHY. I have covered now, sir, the development loan funds, military assistance——

#### TECHNICAL AID

Senator ELLENDER. You have technical aid.

Mr. MURPHY. This was included, sir, in the figure I gave you for economic——

Senator ELLENDER. Yes, in the total. I mean for this fiscal year.

Mr. MURPHY. For 1960?

Senator ELLENDER. That is what he asked you?

Mr. MURPHY. I thought he asked what had been to date.

For 1960, the program proposed by the President was for ——— million dollars for special assistance and \$1.8 million for technical cooperation, making a total of ——— million dollars.

At this point, of course, Senator Bridges, the special assistance authorization stands at \$247½ million, as compared to a request by the President of \$272 million, so, clearly, not all of the programs contemplated in the President's proposal will be able to be carried out.

Senator BRIDGES. That is quite a program.

Senator ELLENDER. Mr. Murphy, if you add all those together it will make us have ——— dollars.

Mr. MURPHY. Yes, sir; it will be in that neighborhood, Senator.

Senator BIBLE. Senator Dworshak?

## TOTAL LOCAL CURRENCY OWNED IN YUGOSLAVIA

Senator DWORSHAK. Right at that point, Mr. Murphy, I would like to ask you how much local currency the United States has in Yugoslavia?

Mr. MURPHY. Senator Dworshak, the estimated unexpended balances of local currencies through June 30, 1959, in Yugoslavia which were owned by the United States total \$114.7 million.

Twenty-one million four hundred and six thousand dollars is the equivalent of the U.S.-owned local currency derived from sales of agricultural surpluses under section 402 of the Mutual Security Act and \$93,300,000 equivalent represents the value of U.S.-owned local currencies derived from sales under title I of Public Law 480.

## PLANS FOR UTILIZING LOCAL CURRENCY

Senator DWORSHAK. What are the plans for utilizing this currency?

Mr. MURPHY. During the fiscal year 1960, Senator Dworshak, of the U.S.-owned currency derived under the Mutual Security Act, \$114.7 million dollars is expected to be obligated all for economic purposes in Yugoslavia and \$93.3 million dollars of the funds under Public Law 480 also are expected to be obligated, also for economic purposes.

## CONTRIBUTION BY NATO COUNTRIES

Senator DWORSHAK. Mr. Kohler, in carefully analyzing your statement which I regret I did not hear, I find that emphasis is placed upon the contribution being made by the NATO countries and you persist in pointing out, for instance:

So long as there are other free countries with important resources in manpower, raw materials, industrial techniques, science and terrain, and which have the will to resist aggression, it is certainly in our interest that these resources be fully developed and combined with our own in a common defense effort. That means that we must think of our national defense in terms of total defensive capabilities of the free world.

Now, you emphasized manpower. Do you think that the NATO countries have been making a maximum contribution providing manpower in recruiting the divisions which were originally planned for NATO?

Mr. KOHLER. Well, sir, I think I will have to refer this, in any detail, to our military colleagues.

Senator DWORSHAK. You made the statement. I presume you knew what the facts were.

Mr. KOHLER. I will say in this connection we never think they are making the maximum effort.

General GUTHRIE. This was gone over, sir, as you recall, by General Norstad.

Senator DWORSHAK. Yes.

## EFFECT OF INTRODUCTION OF NUCLEAR WEAPONS

General GUTHRIE. To briefly review it, the introduction of tactical nuclear weapons in 1954 led to a change in the NATO doctrine which enabled them to scale down the gross manpower totals for a smaller, but more potent force, such as we are aiming for at this time.

Senator DWORSHAK. Have we scaled down any of our personnel in the 5½ divisions that we have over there?

General GUTHRIE. To some extent; yes, sir.

Senator DWORSHAK. Very slightly?

General GUTHRIE. Very slightly.

In fact, Senator, the Army has been forced to make cuts every time it has to reduce its personnel ceiling. I know they feel this would be the last place they would like to cut.

Senator DWORSHAK. Why should it be the last place, for psychological reasons?

General GUTHRIE. Partly that, and partly because these troops are right up against the Iron Curtain as are no other U.S. forces of such strength.

Senator DWORSHAK. You are talking about NATO?

General GUTHRIE. Yes, sir.

Mr. SHUFF. May I supplement that by saying that our own forces in the United States in the meantime, have gotten improved weapons. They have also scaled down to a substantial degree from the Lisbon goals that you are talking about.

#### MODERNIZATION OF NATO FORCES

Senator DWORSHAK. Yes, but it seems to me that, again pointing to Mr. Kohler's statement, where he says:

It would be shortsighted indeed if the United States spent over \$40 billion on its own forces and then failed to follow through with this much smaller amount for modernization and maintenance of the forces of our allies which are essential to our total defense concept—

apparently we have difficulty, as members of this Appropriations Committee know, when we considered the \$40 billion defense budget in providing the funds deemed essential to modernize our own forces.

So we ran counter to this proposal which you make to modernize the forces of NATO. That may be a reasonable and a desirable objective, but we have only so many dollars we can spend upon modernization, either at home or in NATO countries.

Mr. SHUFF. That is why we are trying to get these people to join with us to produce some of these modern weapons over there. We are sending our technical know-how over and they are going to put up most of the money in this arrangement. They therefore can indeed grind a little more mutuality into the mutual security program.

Senator DWORSHAK. That is a laudable objective, but what have they done up to this time?

Mr. SHUFF. From the point of view of missiles, they have yet to cut their first piece of metal, but we have to start somewhere.

#### G-91 GROUND SUPPORT FIGHTER

Senator DWORSHAK. How about aircraft?

Mr. SHUFF. They have made an aircraft. It's the G-91 aircraft, which is a small ground support fighter, made by the Fiat Co. in Turin. Germany and Italy and three other countries have plans to use this aircraft. Now, this is another mutual proposition. But this was an Italian design.

What I am talking about now is a missile designed by the United States for use by U.S. forces around the world. We supplied to them

the know-how that we have managed to put together and between us we share their getting into the production on this kind of thing.

#### PERCENTAGE OF CONTRIBUTIONS BY NATO COUNTRIES

Senator DWORSHAK. Can you give us any idea what percentage of the military facilities and equipment used currently by NATO has been furnished by the NATO countries themselves and what percentage by the United States?

General GUTHRIE. Yes, sir; those facilities by and large, Senator, the new ones at least.

Senator DWORSHAK. I mean the ones that are currently used, being used.

General GUTHRIE. Yes, sir; they were built under the infrastructure program. Of that we pay about 36 percent of the total cost.

However, we get a good deal of mileage out of it because we are receiving, for example, 44 airfields for about one-third of what they would have cost us, 1.9 million cubic meters of storage in 40 depots for Navy fuel—jet fuel and motor gasoline—a large naval facility in the United Kingdom, and many other things such as communications, war headquarters, navigational aids, and radar and so forth.

Senator DWORSHAK. In addition to this 36 percent of infrastructure participation that we furnish, we likewise furnish a lot of other materials, material equipment?

General GUTHRIE. That is correct.

Senator DWORSHAK. That is in addition to that?

General GUTHRIE. Yes, sir.

Senator DWORSHAK. How would you rate that? What percentage is that? It seems to me you ought to give us an overall estimate.

Mr. SHUFF. Senator Dworshak, I think we said in earlier testimony that for every dollar we spend our allies around the world spend \$7 in their own defense.

The 35 percent or so started higher; it started about 40 percent, and it is now down to about 35 percent. This is matched by the 60 or 65 percent that is paid by our allies. Now this is done not on the basis of user nations; it is based on the ability to pay. In other words, the second greatest contributor in the infrastructure formula is Great Britain. Most of the installations out of the infrastructure program are on the Continent, so that there is a sharing without direct use.

#### CONTRIBUTIONS OF MANPOWER

Senator DWORSHAK. It seems to me it is about time that we insisted upon this more equitable participation by these countries. We know they have not done everything they could with manpower because those countries in NATO, with the exception of the United States and Canada, have collectively about three times the population that we have and on that point it would seem that if they are aware of the need of defending themselves and not defending us, but defending themselves, if they appreciate that necessity, then they ought to be willing to make more equitable contributions of manpower.

Would you agree with that?

Mr. SHUFF. I would agree with that, sir, but on the other hand, what are we to do? We can only persuade these folks to join us in

this mutual security endeavor. It is not our right to go over to a sovereign nation and attempt to make them do this. They have put up a lot of money and it has cost them in manpower a good deal.

#### SITUATION IN NORWAY

To prove my point I will take an extreme case. Norway, for instance, does not have enough manpower to go around to do the functional jobs that they have to have done for their own small industrial benefit such as it is. They are squeezing real hard to attempt to make available to NATO, and for our protection as well, enough electronic technicians to man some of the things that need to be manned in this day of pretty sophisticated warfare.

Senator DWORSHAK. That is an exception there; it is not typical.

Mr. SHUFF. It is not really typical of all, but I would not say that it was an exception. In degree it is an exception, sir, but not in principle.

Senator BIBLE. Would you yield to Senator Ellender for one question?

Senator DWORSHAK. Yes.

Senator ELLENDER. I just want to make this observation: At one time it was \$6 to \$1. Now it is \$7 to \$1, but you never give the figures to show that for every dollar spent by our allies for defense we spend more than two and a half dollars.

Do not forget that now.

Mr. SHUFF. I am talking about military assistance.

Senator ELLENDER. I know what you are talking about. You are talking about military assistance.

For every dollar spent by our allies we spend more than two and a half dollars. That is what we do. That is an unvarnished fact.

Senator DWORSHAK. I just want to terminate my questioning of the Secretary by pointing out the thing that irks me constantly.

You say we have no right to go over there and to coerce them into cooperating with us in this mutual security program.

#### POLICY OF PERSUASION

I think that is why we have not made maximum progress in this entire program. Because we have gone over there and on bended knee importuned them to do something to defend our country.

Certainly, do not those countries in NATO and our allies elsewhere recognize that if Communist aggression is a serious threat to the safety and welfare of the United States, then so long as these countries want to remain free they must recognize that threat faces all of those countries, too, and unless they are willing to pay the price for defense, then they will not prove very worthwhile or valuable to us in time of war or in emergency if they lack the determination and the will to do something to defend themselves?

We have told them that they are helping us. Yes, it is mutual. But certainly if they cannot recognize their own status then we are in a bad way.

Senator BIBLE. Are there any further questions?

Senator DWORSHAK. Let Mr. Kohler make a brief response, Mr. Chairman.

## COOPERATIVE PICTURE

Mr. KOHLER. Yes, I would like to comment a little on this. I think that the cooperative picture is a great deal better than the impression you would give, Senator. We keep at this all the time.

I think the record shows that as the condition of our allies has improved that they have indeed taken over more and more of the load.

The fact is that since 1950 when their total, when the European total military expenditures were down to about \$6 billion, that these have risen up to a present level of \$13½ billion, roughly, and that at the same time our aid, military aid, which in 1953 reached a high of \$3.2 billion, has gone down to where we are asking you today for less than a billion dollars for our European allies.

I think the record shows that we keep pushing this. As Mr. Shuff says, of course, we don't coerce, we don't demand, we don't serve ultimatums, but we keep working on it in a partnership sense, and I think the record shows it has succeeded.

Senator DWORSHAK. I think in the early years we were very lax. I am glad to have the record show that in latter years effort has been made to paint the picture as it exists realistically, that if we are to have a mutually successful objective to maintain the peace, then everybody has to get into this game and not just the United States.

Mr. KOHLER. Yes, sir.

Senator DWORSHAK. Do you agree with that, Mr. Shuff?

Mr. SHUFF. Yes, sir; I certainly do. I also would like to say one final thing, Senator: Please believe me when I say we don't go over there on bended knee.

Senator DWORSHAK. We have in the past, I am sure; maybe not now.

Mr. SHUFF. I can only speak for the military assistance program and know what I know. While we don't go over there with any chip on our shoulder, with any truculence or any belligerence, we go over there with the expectation that we will get cooperation.

Now, perhaps we don't get the exact degree of cooperation we want. Maybe we are in some areas expecting too much, but we do get cooperation and we do operate and deal with these people on a very straightforward basis. We do not suggest to them that the only reason they are doing this is for the security of the United States. This is for the security of the alliance.

Senator DWORSHAK. Well, we all have selfish motives and objectives—that is, so far as nations are concerned—but I know in the early years of this program we emphasized that in order to defend this country we had to request these allies of ours to do more and more for us instead of doing more and more for themselves.

Mr. SHUFF. Senator Dworshak, I would like to pose a question. How could we possibly have the same amount of defense that we had without those allies and without having helped them? We could not afford to equip American soldiers and send them to all of the places around the world where there are potential trouble spots.

## LEBANON EPISODE

Senator DWORSHAK. Where were those allies of ours when the Lebanon episode developed? Did we not have to send our American forces over there to quell that?

Mr. SHUFF. I am sure that was a considered judgment, Senator, and I think we probably wanted to send our own soldiers there.

Senator DWORSHAK. Then no matter what military forces we build up among our allies, when we face a showdown as we did in Lebanon or in the Formosa Straits, then we have to send our own military personnel thousands and thousands of miles to do a job that our allies seem to be unable to do for themselves, or for us.

Mr. SHUFF. But, sir, the crisis in the Formosa Straits was handled largely by the Chinese that had been equipped and trained under the military assistance program and were ready to fight when the fighting started. There would have been Americans, had we not trained the Chinese.

Senator DWORSHAK. They will be Americans if we obligate ourselves to go everywhere in the world to meet an uprising or a military cold war.

#### PRESIDENT'S STATEMENT ON FORMOSA SITUATION

I think so far as doctrines are concerned in the Far Pacific the statement made by President Eisenhower that an attack on Formosa would be construed as an attack on the United States is basically why we are able to maintain peace in that area.

Do you agree with me on that? It is not essentially one of fighting forces opposing each other, but, rather, that the United States has committed itself; and if we have to fulfill that commitment by sending our boys everywhere while our allies merely make a token gesture—and I do not deny to the fine Chinese Nationalist soldiers and the forces that did a magnificent job, it was heroic, I do not deny that—I think that we must recognize that psychologically the United States is carrying most of the burden in quelling cold wars.

Mr. SHUFF. I think we are together, sir, and I think that is the price of world leadership.

Senator BIBLE. Mr. Secretary, do you have a last observation?

Mr. KOHLER. I just thought that the record should remind us that at the time we went to Lebanon the United Kingdom was mounting an operation in Jordan.

Senator BIBLE. Did you want to tender something for the record?

Mr. MURPHY. I would like permission to insert the statements of Mr. Gordon and General Guthrie immediately following Mr. Kohler's statement in the record.

Senator BIBLE. Without objection that will be done. They will be inserted at that place in the record.

Mr. MURPHY. Thank you, Mr. Chairman.

(The statements referred to appear on pp. 235 and 240.)

#### COMMITTEE RECESS

Senator BIBLE. We will recess now until 10:30 tomorrow morning. (Thereupon, at 12:45 p.m., Tuesday, August 11, 1959, the committee was recessed, to reconvene at 1:30 p.m., Wednesday, August 12, 1959.)





# MUTUAL SECURITY APPROPRIATIONS FOR 1960

WEDNESDAY, AUGUST 12, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Ellender, Robertson, Saltonstall, Dworshak, Kuchel, and Allott.

## MUTUAL SECURITY

### INVESTMENT INCENTIVE PROGRAM

#### STATEMENT OF HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

##### GENERAL STATEMENT

Chairman HAYDEN. The committee will please come to order.

Senator Javits, we will be pleased to hear from you.

Senator JAVITS. Thank you, Senator Hayden.

Mr. Chairman, I will not testify to anything but two specialized matters which relate to the appropriations before the committee. I think the committee knows very well that I will be one of those on the floor who will back the administration request on foreign aid so that I need not go into that here. I will have my opportunity on the floor.

Before proceeding with the so-called Morse amendment, I just wish to say one word on the investment incentive program, a matter which relates to \$5 million which is in the special assistance fund and is proposed to be used for projects and programs to encourage local and foreign private investment in the developing countries.

What they require, if this committee agrees that this is a good idea to encourage private investment, will be a recital essentially in the report which will allow \$5 million to be spent for this purpose, because the House Appropriations Committee has expressly negated it in their report and say they denied the \$5 million requested for the investment incentive fund program.

##### EXPANSION OF PRIVATE INVESTMENT ABROAD

My particular interest in this matter, Senator Hayden, comes from the fact that I sponsored the original amendment in the Mutual Security Act last year by which the study of the way in which private investment could be expanded abroad to help in backing up our foreign-aid program was first—

Chairman HAYDEN. As I remember, you stated that by encouraging private investment the amount of public assistance which would have to be paid for out of our Treasury might be reduced.

Senator JAVITS. That is right. And it is proper, when you consider what is needed to aid in developing nations, to combine the aggregate of private investment and public appropriation as a unit figure.

#### COMPETITION WITH AMERICAN LABOR

Chairman HAYDEN. I might add that the one objection to furthering private investment which I have heard was that such investments would be made in those industries where low priced labor was available and then the production from these industries would be exported to the United States to compete directly with United States goods.

Senator JAVITS. I think that that, Senator Hayden, on investigation, will be found a very minor aspect of this whole situation, but that the major aspect of private investment will be found to consist of developing new sources of production in these developing countries.

In fact, the reason ICA needs this money is so it can have more of an impact in interesting private industry in such investment which will be conducive to foreign policy rather than, as the Senator points out, will represent more import competition in the United States.

If you want to give them a rifle through which to direct the bullet of private investment to a target you have to buy them a rifle. That is really what this comes down to.

As I say, my reason for calling it to the special attention of the committee is because this is kind of my baby, this whole business of private investment, in which the Congress has taken a very great interest.

I do think that for a rather modest commitment here of \$5 million, we can get a lot of leverage in seeing that money goes where it will do us the most good in terms of foreign relations.

#### PREPARED STATEMENT

That, in essence, is the point, and I will just file the statement. (The statement referred to follows:)

#### INVESTMENT INCENTIVE FUND PROGRAM

Although funds for this program do not appear as a separate authorization in the Mutual Security Act of 1959, the executive branch presentation requesting special assistance funds included an earmarking of \$5 million for projects and programs to encourage local and foreign private investment in the developing countries. The intended use of special assistance funds for this purpose was noted in the Senate and House committee reports on the authorizing legislation.

The House Appropriations Committee report on the Mutual Security Appropriations Act, 1960, contains the following:

"The committee has specifically denied the \$5 million requested for the investment incentive fund program."

Specifically singling out this program—

(a) would seriously cripple the ability of the U.S. Government to implement in fiscal year 1960 basic recommendations of the Straus report— the study which was prepared specifically in response to the congressional directive in section 413(c) inserted in the Mutual Security Act in 1958;

(b) would appear to cast doubt on the intent of Congress which this session strengthened section 413(c) to require annual updating of the studies of "ways and means in which the role of the private sector of the national economy can be more effectively utilized and protected in carrying out the purposes of this act \* \* \*";

(c) would create confusion, if not doubt, in the minds of the peoples and governments of the developing countries as to whether the U.S. Government seriously considers the encouragement of private enterprise sufficiently important to justify using any foreign assistance funds to help these countries with such programs;

(d) would limit ICA's ability to institute and strengthen the kinds of local private enterprise programs in the developing countries responsive to the recommendation in the interim report of the House Foreign Affairs Subcommittee under the chairmanship of Representative Morgan, citing the need for local entrepreneurs to take initiative and responsibility for projects.

It is for these reasons that the reports on the mutual security appropriations bill to be made by the Senate Appropriations Committee and by the conference committee should include a positive reference to the intended use of available special assistance funds specifically for the private investment program.

#### DISCRIMINATION AGAINST AMERICAN CITIZENS BY FOREIGN COUNTRIES

Senator JAVITS. Now, Mr. Chairman, my main appearance this morning is as cosponsor to amendment to the mutual security appropriations bill to express the determination of the Congress not to put up with discrimination by any foreign country against any American citizen because of their race or religion.

May I say in this respect, I came to the Senate with full knowledge of the so-called Lehman resolution on this subject and desired that it be carried out in letter as well as in spirit; it had no connection with the original Morse amendment on the Senate floor to the Mutual Security Act of 1959 beyond this point; that when I heard it made I felt that a mandatory prohibition such as is contained when originally made by Senator Morse was not wise in the interest of the subject itself in which I was vitally concerned.

I therefore used my good offices because I am deeply concerned; it is very common knowledge that I am of the Jewish faith, myself, and have a keen interest in these problems.

I used such influence as I had to bring it to a sense resolution which I think is really what we ought to have in mind and what Senator Lehman had done originally.

In the course of that I got myself so closely associated with it that I felt a sense of responsibility with respect to it.

I say this as I want the committee to understand that I am not sort of an interloper in Senator Morse's business, but that I really had a genuine interest in seeing that the whole thing remained upon this level of policy and the best way, after all, to assure that, is to continue to discharge with responsibility the obligation which I had assumed when I urged upon Senator Morse that that was the way to do it.

Mr. Chairman, in all our history, we have never submitted to efforts by any foreign government which would tend to cause us to divide our citizens into acceptable and unacceptable classes.

#### ACTION OF SAUDI ARABIA

The crux of the issue here—and I state the crux of the matter first for as a lawyer my training is always to state what I am going to argue about—is posed by the denial of Saudi Arabia to allow American soldiers of the Jewish faith to man the Dhahran Air Base which we lease there. That is the fundamental point of irritation.

All our soldiers are entitled to equal service opportunities. We cannot accept any such restraint on our freedom of action and dignity as a Nation.

Now, Mr. Chairman, there are many other irritations, such, for example, as the inability of Americans of the Jewish faith to transit through Arab countries, American soldiers of the Jewish faith who must sit in airplanes without being allowed to go out and walk around when they go through an Arab country; and Americans of the Jewish faith who are passengers on cruise ships and cannot leave their ships when they go into Arab countries.

#### PATTERN OF DISCRIMINATORY PRACTICE

There is a whole pattern of discrimination and discriminatory practices in which the Arab League is engaged which is conducting a boycott against Israel in violation of the U.N. Charter and armistice obligations, but which is seeking to take it out on American firms by blacklisting them, sending them questionnaires requiring them to inquire into the religious beliefs of their officers and employees, and forbidding American ships to enter Arab ports because they have stopped en route in Israel ports.

There are many other irritations which follow in train this main point. I pick the main point because it seems to me it pictures more clearly, more sharply and more decisively the policy issue which is involved than any one of these other irritations.

So the main point which I believe is the crux of the issue here, Mr. Chairman, is based upon the barring of an American soldier just because of his faith from service at an American airbase to which we would normally assign him.

#### HISTORY OF U.S. REACTION IN CASES OF DISCRIMINATION

Now, the history of this thing is very clear, Mr. Chairman. More than a hundred years ago we ran into a similar situation in Switzerland where certain Swiss cantons sought to prohibit the entrance into their territory of American citizens who were Jews and Senator Lewis Cass of Michigan spoke in 1885 about this matter with prophetic vision when he said:

The invidious distinction contained in the treaty with Switzerland, between American citizens granting rights to Christians which are withheld from Jews, was not ratified by the Senate; such a principle will never receive the sanction of this body.

In 1885 our country again asserted this matter when we appointed a former mayor of Richmond, Va., to be Minister Plenipotentiary to Austria-Hungary. The Austrians refused to accept him because his wife was Jewish.

The letter sent to the Secretary of State by Thomas Bayard in 1885 is a priceless document and a masterful statement of the situation.

He says:

It is not within the power of the President nor of the Congress, nor of any judicial tribunal in the United States, to take or even hear testimony, or in any mode to inquire into or decide upon the religious belief of any official, and the proposition to allow this to be done by any foreign government is necessarily and a fortiori inadmissible.

To suffer an infraction of this essential principle would lead to a disfranchisement of our citizens because of their religious belief. \* \* \* It is not believed by the President that a doctrine and practice so destructive of religious liberty and freedom of conscience, so devoid of catholicity, and so opposed to the spirit of the age in which we live, can for a moment be accepted by the great family of civilized nations or be allowed to control their diplomatic intercourse.

Certain it is, it will never, in my belief, be accepted by the people of the United States, nor by any administration which represents their sentiments. \* \* \* Into the religious belief of its envoy or that of any member of his family, neither this Government nor any officer thereof, as I have shown you, has any right or power to inquire, or to apply any test whatever, or to decide such a question, and to do so would constitute an infraction of the express letter and an invasion of the pervading spirit of the supreme law of this land.

Of course, how true that is of a soldier as it is of an envoy.

Then there is a third precedent which goes back to a commercial treaty with Czarist Russia in 1832. There the rights of American citizens to equal treatment and opportunity were clearly set forth. Russia violated this treaty.

We protested it in 1890. For two decades thereafter we tried to get Russia to admit a Roman Catholic priest, Protestant missionaries, to recognize passports carried by American Jews. A great deal of money and investment was concerned under this treaty.

Finally, public indignation built up to such a pitch that on December 4, 1911, a resolution providing for the abrogation of the treaty of 1832 was introduced in the House.

On December 5 a resolution was introduced in the Senate. It was adopted in the House 301 to 1, and 2 days later President Taft terminated the treaty.

On December 19 of the same year the Senate unanimously approved the President's action.

Now, these are just three examples in our history in which we have shown our meddlesomeness in respect to this situation.

#### MORAL STAND NECESSARY

I think, Mr. Chairman, that the time comes in the life of the Nation when morality must take the place of what might be nice considerations of particular tactical opportunity in respect to a particular defense base.

So there is a very grave argument about that particular matter.

But, nevertheless, we have to figure what represents the greatest good to our country in terms of its moral standing before the world and in terms of the decisive posture which it will assume. We have tolerated this business, it seems to me, long enough. It is high time that the Senate again express itself upon this subject.

By adopting the amendment under consideration we would sustain a proud American tradition, restate our opposition to allowing Saudi Arabia, the Arab League and others to force us to discriminate among Americans, insist upon the equality of all Americans and make clear our determination to oppose any policy which seeks to cause our Government to sanction an indignity to many Americans, to our Nation, and to our Constitution.

#### PREPARED STATEMENT

So, Mr. Chairman, I hope very much that the subcommittee will consider favorably the amendment, the sense amendment proposed by Senator Morse in which I, together with 19 other Senators, have the honor to be cosponsors.

(The statement referred to follows:)

I appear today as a cosponsor of an amendment to the mutual security appropriations bill to express the determination of the Congress not to put up with discrimination by any foreign country against American citizens because of their race or religion.

**BEST AVAILABLE COPY**

In all our history, we have never submitted to efforts by any foreign government which would tend to cause us to divide our citizens into acceptable and unacceptable classes. The crux of the issue here is posed by the denial of Saudi Arabia to allow American soldiers of Jewish faith to man the Dhahran Airbase we lease there. All our soldiers are entitled to equal service opportunities; we cannot accept any such restraint on our freedom of action and dignity as a nation.

More than 100 years ago certain Swiss cantons sought to prohibit the entrance into their territory of American citizens who were Jews. Senator Lewis Cass expressed the sentiment of the Senate over this proposed treaty when he informed a constituent in 1885 as follows:

"The invidious distinction contained in the treaty with Switzerland, between American citizens, granting rights to Christians which are withheld from Jews, was not ratified by the Senate; such a principle will never receive the sanction of this body."

The Senator from Michigan spoke with prophetic wisdom.

Again in 1885, our country was compelled to assert vigorously its refusal to permit a foreign government to discriminate against American citizens. This time, the situation revolved about the appointment of Anthony M. Keiley, a former mayor of Richmond, to be Minister Plenipotentiary to Austria-Hungary. The Austrians refused to accept this distinguished Virginian because his wife happened to be Jewish. The letter sent to the Austrian Government by Secretary of State Thomas F. Bayard on May 18, 1885, is a priceless document, a masterful statement of policy which I would like to read in part to you, as follows:

"It is not within the power of the President nor of the Congress, nor of any judicial tribunal in the United States, to take or even hear testimony, or in any mode to inquire into or decide upon the religious belief of any official, and the proposition to allow this to be done by any foreign government is necessarily and a fortiori inadmissible.

"To suffer an infraction of this essential principle would lead to a disfranchisement of our citizens because of their religious belief \* \* \* It is not believed by the President that a doctrine and practice so destructive of religious liberty and freedom of conscience, so devoid of catholicity, and so opposed to the spirit of the age in which we live can for a moment be accepted by the great family of civilized nations or be allowed to control their diplomatic intercourse.

"Certain it is, it will never, in my belief, be accepted by the people of the United States, nor by any administration which represents their sentiments \* \* \*. Into the religious belief of its envoy or that of any member of his family, neither this Government nor any officer thereof, as I have shown you, has any right or power to inquire, or to apply any test whatever, or to decide such a question, and to do so would constitute an infraction of the express letter and an invasion of the pervading spirit of the supreme law of this land."

The matter was not dropped with this letter. Although Mr. Keiley did not serve and resigned, for 2 years thereafter the United States did not appoint a Minister to Austria-Hungary.

There is a third great precedent supporting the principle which we are restating in this amendment. We had a commercial treaty with Czarist Russia which dated back to 1832. Under it, the rights of American citizens to equal treatment and opportunity were clearly set forth. But Russia repeatedly violated this provision of the treaty, and our Government tried for more than 40 years to get her to stop. We protested in 1890 and for two decades thereafter in attempts to get Russia to admit Roman Catholic priests, Protestant missionaries, and to recognize the passport carried by American Jews. A great deal of money in investments and annual trade was carried on under this treaty. It was a considerable factor in our foreign trade at that time.

Nevertheless, public indignation reached such a pitch that on December 4, 1911, a resolution providing for the abrogation of the treaty of 1832 was introduced into the House. On December 5 the same resolution was introduced into the Senate. It was adopted by the House on December 13 by a vote of 301 to 1. Two days later President Taft terminated the treaty, and on December 19 the Senate unanimously approved the President's action.

In the case of Czarist Russia, as in the controversies with Switzerland and Austria, it was not a Jewish question or a Roman Catholic question or a Protestant question with which we had to contend. The question was whether or not our Government would permit another government to read into a treaty exceptions which do violence to the spirit of our Constitution and to the rights of all Americans.

In addition to the violation of American rights in the discrimination practiced by Saudi Arabia as to American soldiers, there are other indignities practiced on Americans of this nature. Jordan and Iraq refuse entry and transit visas to American citizens who are Jews; so does Saudi Arabia. American chaplains at the Dhahran base are not permitted to show their religious insignia while religious services must be conducted for American personnel with as much secrecy as possible. American soldiers en route to overseas bases via Dhahran must remain within the airplane if they are Jews.

Saudi Arabia does not permit the Arabian American Oil Co. to employ American Jews anywhere in the world. Aramco's effort to comply with this Saudi Arabian regulation in its home offices in New York City resulted in a recent court finding that it was in violation of New York State law by practicing discrimination against Jewish applicants for employment.

There is no end to the evil consequences which result from temporizing with efforts by foreign governments to cause us to discriminate among American citizens. Thus, Americans, no matter what their faith, are not allowed to enter Arab countries if they come directly from Israel, nor may they obtain visas to Arab countries if there is evidence that they also intend to visit Israel. Passengers on cruise ships are warned that they will not be able to share with their fellow passengers those parts of the tour which go into Arab countries. American Jews flying in American planes are not allowed to leave to transfer to other planes at stopping points in Arab countries.

The whole picture of Arab discrimination and discriminatory practices affecting Americans is a shocking one. The Arab League which is conducting a boycott of Israel in violation of the U.N. Charter and the armistice obligations of its member states, has continuously sought to impose its views on American businessmen and commercial enterprises. It seeks and often is effective in blacklisting firms which do business with Israel, are owned by Jews, or employ Jews. It has sent questionnaires to American firms requiring them to inquire into the religious beliefs of their officers and employees. It has forbidden entry of American ships in Arab ports because they had stopped en route at an Israel port. The Arab League has disrupted commercial practices, increased costs of shipping and insurance, and obstructed trade between our country and other nations because of its obsession with such discrimination, alike immoral and in violation of established judicial principle.

By adopting the amendment under consideration we would sustain a proud American tradition; restate our opposition to allowing Saudi Arabia and the Arab League to force us to discriminate among Americans; insist upon the equality of all Americans; and make clear our determination to oppose any policy which seeks to cause our Government to sanction an indignity to many Americans, to our Nation, and to the Constitution.

Chairman HAYDEN. Thank you for your statement, Senator Javits. The history you recited is most interesting.

Senator JAVITS. Thank you, sir.

Chairman HAYDEN. The next witness this morning is Senator Morse.

#### DISCRIMINATION AGAINST AMERICAN CITIZENS

### STATEMENT OF HON. WAYNE MORSE, A U.S. SENATOR FROM THE STATE OF OREGON

#### GENERAL STATEMENT

Senator MORSE. Senator Javits, I think, has testified on the same matter.

Mr. Chairman, members of the committee, I appreciate this opportunity to appear before your committee to urge acceptance of an amendment to the mutual security appropriation bill which will put the Congress of the United States on record in opposition to any policy by our Government which acquiesces in discrimination against American citizens on the grounds of their race or religion.

The U.S. Senate is firmly opposed to such discriminatory practices, I am convinced.

The question is whether this is the legislative time and place to raise this issue.

My answer is that it is always appropriate to raise this issue, and it is especially appropriate when we are discussing a measure to strengthen the United States and the free world.

#### PROVISIONS OF MORSE AMENDMENT

The adoption of the amendment I now propose will make for a stronger America. It will make clear to the world that we mean it when we say we are a nation of freemen dedicated to the preservation of human rights and the dignity of man.

The language of the amendment I ask you to adopt reads as follows:

It is the sense of Congress that none of the funds appropriated or otherwise made available by this act should be used for furnishing assistance to any nation which as a matter of declared policy or practice, as determined by the President, creates distinctions because of their race or religion among American citizens in the granting of personal or commercial access or any other rights otherwise available to United States citizens generally.

#### LEHMAN RESOLUTION

This amendment is modeled on the Lehman resolution which was unanimously adopted by the Senate on July 25, 1956.

That resolution reads as follows:

Whereas the protection of the integrity of the United States citizenship and of the proper rights of the United States citizens in their pursuit of lawful trade, travel, and other activities abroad is a principle of United States sovereignty; and

Whereas it is a primary principle of our Nation that there shall be no distinction among United States citizens based on their individual religious affiliations and since any attempt by foreign nations to create such distinctions among our citizens in the granting of personal or commercial access or any other rights otherwise available to United States citizens generally is inconsistent with our principles:  
*Now, therefore, be it*

*Resolved*, That it is the sense of the Senate that it regards any such distinctions directed against United States citizens as incompatible with the relations that should exist among friendly nations, and that in all negotiations between the United States and any foreign state every reasonable effort should be made to maintain this principle.

The Lehman resolution was adopted because of the widespread revulsion in this country against our Government's toleration of discriminatory practices by certain Near East countries against American Jews.

#### SAUDI ARABIAN BAR AGAINST JEWS

There was particular concern over our agreement with Saudi Arabia which permitted that country to bar American soldiers of Jewish faith from a base which our country maintained at Dhahran.

All of you are familiar with these facts. I am confident that there is universal disapproval of this policy of exclusion and discrimination. Certainly no one in the administration or in the Congress would want to defend this policy on the ground of principle or morality.



## PARTY PLATFORM STATEMENTS

It is interesting to note that after the Lehman resolution was adopted unanimously by the Senate in 1956, both the major political parties adopted strong planks on this issue at their national conventions in the summer of that year. The Democrats said at Chicago:

We oppose, as contrary to American principles, the practice of any government which discriminates against American citizens on grounds of race or religion. We will not countenance any arrangement or treaty with any government which by its terms or in its practical application would sanction such practices.

And the Republicans said at San Francisco:

We approve appropriate action to oppose the imposition by foreign governments of discrimination against U.S. citizens, based on their religion or race.

The language of both statements is clear and forthright. It is regrettable that in too many instances those fine statements constitute mere words.

The U.S. agreement with Saudi Arabia, which was negotiated in 1952, was to expire early in 1957. There was every reason to hope, in view of the Senate resolution and the declaration of both the political parties, that the administration would say to Saudi Arabian Government, firmly and honestly, that this was a reciprocal agreement conferring benefits on both parties; that it obligated each to respect the other, and that we could no longer accept an arrangement which contradicts the fundamental American principle that all Americans are entitled to the equal protection of the law in the United States.

We hoped that we would tell Saudi Arabia that the United States could not permit any country to degrade any American into second-class citizenship.

## VISIT OF KING SAUD

King Saud came to Washington in 1957. He was given a most unusual welcome. President Eisenhower went to the airport to receive him personally.

It is true, of course, that he did not receive a red carpet reception in New York City, a fact which displeased him, but which should not have surprised him too much since so many people who live in New York would not be allowed to enter Saudi Arabia on any kind of a carpet.

It is to be regretted that the agreement between the United States and Saudi Arabia in respect to the Dhahran airbase extended another 5 years without providing for the termination of these offensive anti-Jewish screening procedures.

It has been stated that we made some protest to Saudi Arabia—but the King was in no mood to defer to our concern.

As the late Secretary Dulles told the press at a conference on April 23, 1957:

We brought up the matter \* \* \* during the talks that took place when King Saud was here. I did not find his attitude at that moment very receptive, largely perhaps \* \* \* because of the fact that he felt that he had not been given nondiscriminatory treatment himself in the city of New York.

## NEW AGREEMENT WITH SAUDI ARABIA

But the new agreement went much further than the old. For we now agreed to extend substantial economic and military aid to Saudi Arabia. We agreed to train Saudi Arabian pilots and naval personnel, and to expand the port at Damman.

In following this course of action, we renewed and confirmed an offensive and un-American arrangement. We made possible the practice of discrimination against Americans overseas and, in certain instances, the abridging of the rights of American citizens here in the United States.

This was an abysmal surrender of principle, an abasement unworthy of our country, repugnant to our constitution, defamatory of our flag. We did this, apparently, because the administration believed that we had to surrender principle to convenience, because it was necessary to yield up the dignity of Americans for considerations of expediency.

This degrading course of action was followed because some people thought, apparently, that it was in the best interests of the U.S. foreign policy.

Mr. Chairman, I am vitally concerned about the security and defense of the United States. But I insist that there is not a single valid consideration which dictated or justified this course of action. It was expediency—nothing more nor less.

## DHAHRAN BASE

Is the base at Dhahran so essential to the defense of the United States that it must be maintained at the expense of precious human rights?

Should we discriminate against our own fellow citizens by signing international agreements conceived in bigotry and born of shameful expediency?

Should we accept the alibi that the security of the United States makes this base at Dhahran a vitally important one?

I deny this categorically. For the Dhahran base is not a military base.

I have the testimony of the late Secretary of State himself. The Department of State Bulletin, August 26, 1957, page 348, quotes a remark made by Mr. Dulles during his August 6, 1956, press conference. He was asked about applying inspection procedures to bases in the Middle East. He replied:

Answer. Well, we have no bases in the Middle East (addendum: excluding north Africa) unless you include Turkey, and that would be covered in this plan, I presume.

Question. Dhahran?

Answer. That is not a military base.

Question. Mr. Secretary, on another subject, don't you think that—

Answer. Excuse me. We have certain rights there, but we do not—but that is not operated as a military base.

Mr. Thomas K. Finletter, former Secretary of the Air Force, believes that—

\* \* \* the value of the Dhahran base is relatively small and that it can be replaced, but that the value of the principle involved is high and cannot be replaced.

He has stated:

There has been much unfounded talk about the "vital" necessity of the Dhahran Airfield to the interests of the United States. I think I am reasonably aware of the importance of the base structure of our Air Force and I cannot agree with the idea that any one base such as Dhahran is vital. I happen to believe that our base structure should be strengthened well beyond its present state, but there are many places other than Dhahran where a substitute base for Dhahran and the additional bases which are needed could be located. I do not believe that the need for the Dhahran Airbase in any way requires us to sacrifice the principles in which the American people believe \* \* \*

Are we making this intolerable concession to expediency because of oil? Since oil was first discovered in Saudi Arabia, we have been warned periodically that the Arabian American Oil Co. might lose its advantageous position in Saudi Arabia unless our foreign policy conformed with that of King Saud.

We heard this in 1948; we were then threatened with the loss of oil if we supported the United Nations resolution calling for the partition of Palestine. It turned out to be an empty threat then.

It will always be empty as long as Saudi Arabia has no place to sell its oil except to the West and as long as oil reserves continue their enormous expansion.

Saudi Arabia needs oil royalties just as much as Aramco needs oil. And let no one confuse the corporate and constitutional entities that are known as Aramco and the United States. They are not one and the same.

Will we lose Saudi Arabia as an ally? This question is predicated on illusion. I seriously question whether Saudi Arabia would ever consider itself an ally of the United States.

#### ACTIONS OF SAUDI ARABIA SINCE 1957

This is not the place for an extended review of our policy. But I do want to place on record my view that our Government miscalculated in 1957. At that time there was a belief in high quarters that King Saud would embrace the Middle East doctrine, which was then under debate, and that he might become the kingpin of our Middle East policy.

This was the reason for the elaborate state visit and the lavish favors conferred on Saudi Arabia at that time.

But within a few months Saudi Arabia again insisted on being neutralist. It wanted no part of the Middle East doctrine.

During the 1957 Syrian crisis, Saudi Arabia's U.N. delegate lashed at the United States and the West at the United Nations in language so intemperate and shocking that our Government was constrained to ask whether he was really expressing the views of his King. Was he? We have never found out.

However, anyone who thinks the United States can ever count on the King of Saudi Arabia as an ally of the United States in the cause of freedom holds a view that I think is very questionable. The King of Saudi Arabia does not believe in democracy. He is no respecter of human rights. He is a tyrannical absolute monarch who still maintains a slave market. Human rights, human dignity, human liberty for the masses of the people are as foreign to his form of totalitarianism as is the case with communism.

## POSITION OF STRENGTH NEEDED

Let us be clear on one major point. The United States will never succeed in establishing a strong and respected policy in the Middle East unless it is prepared to demonstrate its strength, and not its weakness.

I am not talking about any fleet maneuver or military parade of might; I am talking about strength of conviction and loyalty to principle.

I believe, and I know that many experts on the Near East have felt this way, that the peoples of the Arab world, indeed, the peoples of Asia and Africa, will have much more respect and admiration for us if we refuse to be deflected from our fundamental principles. Our loyalty to the guarantees of the Constitution of the United States is our great strength.

When we retreat from the principle of equal citizenship for all of our citizens because of pressure from a foreign monarch who threatens to deny us airbase accommodations unless we surrender to expediency, we lose prestige and respect all over the world.

The foreign policy of the United States must be made in Washington, not in any foreign capital. It must be consistent with the equality of citizenship rights of the Constitution of the United States.

It should strengthen the human-rights goals of the charter of the United Nations.

It must not be trimmed or tortured to fit the prejudices and passions of other governments.

But instead of strength, we have shown weakness. Once a democratic government yields and retreats before the threats of prejudice and expediency in the formulation of international agreements, it becomes less and less able to resist undesirable diplomatic pressure and it subjects itself to further and more intolerable diplomatic impositions.

It is no accident that the Arab boycott against American Jews grew in intensity after the renegotiation of the Saudi Arabia base.

## STATEMENT OF AMERICAN JEWISH GROUP

In early 1958, the leading American Jewish organizations submitted to this body a document in which they pointed out:

The Arab blockade and boycott of Israel has now been extended by the Arab League to a systematic boycott and blacklisting of any American enterprise that maintains permanent business connections with Israel or with Israel firms and indeed to a worldwide effort to boycott any business owned by Jews.

The Arab League maintains a public blacklist of American and other companies that invest in Israel, maintain branches, assembly operations or distribution outlets there, or that license patents for Israel use.

American vessels that stop at Israel ports are denied permission to make calls at Arab ports.

American planes that land in Israel are forbidden to fly over Arab territories.

No American is permitted to enter an Arab land from Israel except on official business.

Americans who are Jews are a special target of the Arab boycott. Saudi Arabia, particularly, refuses to allow the Arabian-American Oil Co. or other concessionaires to employ Jews for work in Saudi Arabia. Most Arab League States refuse visas to Jewish travelers and some refuse to allow Jews to land even in transit. \* \* \*

The Arab League has been circulating questionnaires to chambers of commerce and individual companies throughout the world inquiring whether specified companies were controlled by Jews or employed Jews. \* \* \*

\* \* \* The United States has subsidized the export of wheat to (Arab) countries \* \* \* out of tax funds supplied by all our citizens. The Arab League States refuse to ship their American wheat on blacklisted vessels or to buy wheat from American exporters who are Jews or who have dealings with Israel. \* \* \* In effect, therefore, the United States submits to the operation of the Arab boycott and Americans are taxed for a wheat subsidy plan from which they are barred. \* \* \*

The Jewish organizations which submitted this memorandum declared:

The Arab boycott of Americans is international intimidation; it thrives on appeasement and capitulation. We are confident that Americans deplore the Arab boycott and will want to resist this impairment of the rights and privileges of American citizenship. We are confident, too, that if the U.S. Government would strongly oppose this international blackmail and medieval bigotry, the Arab boycott against Americans inevitably would end.

In the light of the foregoing, we, the undersigned, declare our repugnance of the Arab boycott and urge all commercial firms to resist it with every legal means at their command. At the same time, we express our firm hope that our own Government will prohibit racial or religious discrimination against American citizens in the administration of any treaties or executive agreements to which it affixes its signature.

#### UNIVERSAL NATURE OF MORSE AMENDMENT

Mr. Chairman, I wish to emphasize that my amendment is intended and designed by me to be universal in its application. I have not singled out Saudi Arabia or any other Arab country for singular or exceptional treatment.

My amendment would apply to any and all foreign powers that insist on including in any international agreement with the U.S. discriminations between and among U.S. citizens based upon race, color, or religious faith.

It is true that the Government of Saudi Arabia has been a notorious offender in this matter because of the anti-Semitic policies toward American Jewish citizens which it has insisted must be acceded to by our Government in its international agreement with Saudi Arabia under the Dhahran Air Base.

However, there are other instances of discriminatory practices against certain American citizens followed by other governments, and there is the constant danger that if we surrender our ideals in respect to this principle to one nation, other nations in diplomatic negotiations may use it as a bargaining threat.

I am informed that Norway still discriminates against American citizens who may be Jesuit clergymen. My amendment would apply to that situation, as well.

I understand Iceland discriminates against American citizens who may be Negroes. My amendment would cover that situation also.

#### NO INTERFERENCE WITH SOVEREIGN RIGHTS

Further, let me make clear that I do not argue in support of the proposition that we have any right to interfere with the sovereign right of a foreign government to determine for itself its own domestic public policy in regard to its attitude toward the people of any particular race, color, or religious faith.

What I do argue is that in exercising our sovereign rights as a democratic government based upon the constitutional guarantee of equality

of citizenship, we have a clear duty of making clear to any foreign sovereign power that we will not enter into a treaty or executive agreement with such a government unless it is willing to grant the same rights and privileges under that agreement to all American citizens irrespective of their race, color, or religious faith.

Mr. Chairman, I submit to you that the time has come to stop this abject accommodation to the hatreds and hostilities of others. I do not suggest that we should try to reform the world.

I know, Mr. Chairman, that we are subject to the charge that our hands are not as clean as we should like them to be. Much can be said in criticism of our own failings on the democratic scene.

And I do not believe that we can use the mutual security program as an instrument whereby we will persuade other governments to revise domestic practices with respect to their own citizens which seem inequitable to us.

But I do insist, Mr. Chairman, that we must always resist any policies or practices by foreign governments which create distinctions between Americans, and which deny some of our citizens rights which are accorded to others. And, certainly, we should not place our blessing on such intolerable affronts by subsidizing them with grants and loans provided by American taxpayers, even, ironically, by some who are the victims of these discriminations.

#### HISTORIC AMERICAN POSITION

The history of American diplomacy is replete with many examples of a stirring and honorable stand taken by our Government in defense of the rights of the American people regardless of their race or creed.

Secretary of State Lewis Cass declared that the object of our foreign policy is:

\* \* \* not merely to protect a Catholic in a Protestant country, a Protestant in a Catholic country, a Jew in a Christian country, but an American in all countries.

That is quoted in American diplomacy, by J. B. Moore, page 135; 1905.

In 1885 when Austria-Hungary refused to accept an American minister-designate because his wife was Jewish, Secretary of State Thomas F. Bayard declared:

Religious liberty is the chief cornerstone of the American system of Government, and provisions for its security are imbedded in the written charter and interwoven in the moral fabric of its laws.

Anything that tends to invade a right so essential and sacred must be carefully guarded against, and I am satisfied that my countrymen, ever mindful of the sufferings and sacrifices necessary to obtain it, will never consent to its impairment for any reason, or under any pretext whatsoever.

It is not believed by the President that a doctrine and practice so destructive of religious liberty and freedom of conscience, so devoid of catholicity, and so opposed to the spirit of the age in which we live, can for a moment be accepted by the great family of civilized nations or be allowed to control their diplomatic intercourse.

Certainly it is, it will never, in my belief, be accepted by the people of the United States nor by any administration which represents their sentiments.

When this minister-designate was questioned in the first instance by Austria-Hungary, the United States refused to send anyone to take his place.

The United States refused at that time to support the Austro-Hungarian position.

In his annual message to Congress, December 8, 1885, President Cleveland declared:

Question has arisen with the Government of Austria-Hungary touching the representation of the United States at Vienna. Having, under my constitutional prerogative, appointed an estimable citizen of unimpeachable probity and competence as Minister at that court, the Government of Austro-Hungary invited this Government to take cognizance of certain exceptions, based upon allegations against the personal acceptability of Mr. Keiley, the appointed envoy, asking that in view thereof, the appointment should be withdrawn.

The reasons advanced were such as could not be acquiesced in, without violation of my oath of office and the precepts of the Constitution, since they necessarily involved a limitation in favor of a foreign government upon the right of selection by the executive, and required such an application of a religious test as a qualification for office under the United States as would have resulted in the practical disfranchisement of a large class of our citizens and the abandonment of a vital principle in our Government.

The Austro-Hungarian Government finally decided not to receive Mr. Keiley as the envoy of the United States, and that gentleman has since resigned his commission leaving the post vacant. I have made no new nomination, and the interests of this Government in Vienna are now in the care of the secretary of legation, acting as *Chargé d'Affaires ad interim*.

In 1880, an American Jew was expelled from Czarist Russia once his Jewish identity became known. This brought a sharp protest from John W. Foster, the American Minister to St. Petersburg and the grandfather of the late Secretary of State Dulles. Mr. Foster had the backing of the Department of State.

In 1908, in his speech of acceptance of the Republican nomination for the Presidency, William H. Taft noted:

\* \* \* In some countries \* \* \* distinctions are made in respect to the treatment of our citizens traveling abroad and having passports of our executive, based on considerations which are repugnant to the principles of our Government and civilization.

He committed his party and administration:

to make every endeavor to secure the solution of such distinctions which, in our eyes, are both needless and opprobrious.

On December 15, 1911, Secretary of State Philander C. Knox notified Russia that the United States had decided to abrogate the treaty between the United States and Russia of 1832 because Russia was refusing to honor American passports duly issued to American citizens on account of race or religion. This action of our Government was strongly approved by the Republican National Convention in 1912, and in the same year by the Democratic National Convention and the Progressive Party Convention.

I offered my amendment to the Mutual Security Act on July 8 because this is the right place for us to make our stand.

#### NEW STATEMENT OF PURPOSE

This year, the Mutual Security Act contains a new statement of purpose. We say:

It is the sense of Congress that peace in the world increasingly depends on wider recognition, both in principle and practice, of the dignity and interdependence of man, and that the survival of free institutions in the United States can best be assured in a worldwide atmosphere of expanded freedom.

If we believe in the dignity of man, and in the survival of free institutions, and in expanding freedom, then let us back up our ideals with action which is consistent with those ideals. Let us take our stand, once and for all, against practices which dishonor men, which deny their equality, and which subvert free institutions.

Let us not vote money which perpetuates these practices and which weakens America as the leader of the free world.

#### COURT DECISIONS SUPPORTING AMENDMENT

The amendment I offered on the floor of the Senate was defeated by a close vote, 47 to 43. I believe that some Members of the Senate may not have been fully informed of the issue involved when the roll was called, because some who voted "No" were among the sponsors or supporters of the original Lehman amendment.

Accordingly, I announced my intention of pursuing this matter further. I have been greatly encouraged by the extraordinary decision which was handed down by the Supreme Court of New York State on July 15, when the court overruled a ruling by the New York State Commission Against Discrimination which had allowed Arameco to question job applicants about their religion, on the ground that Jews would not be allowed to enter Saudi Arabia.

The New York State Commission had granted Arameco an exemption from the operation of New York law after our Department of State had reported to the agency that denial of an exemption might affect American policy in the Middle East.

The New York Supreme Court said:

If the enforcement of the public policy of New York State would embarrass the State Department in the Near East, then it should be said that the honor of American citizenship—if it remains for New York State to uphold it—will survive Arameco's fall from Arab grace.

In other words, Arameco has now been told that it may not violate New York law at the behest of a foreign government.

#### NATIONAL POLICY AGAINST DISCRIMINATION

It now remains for the Congress of the United States to tell our Department of State that it must not underwrite discriminatory practices against American citizens by any foreign government.

The New York Supreme Court decision may mark a decisive turning point in this unpleasant controversy. The decision struck a long overdue blow against sacrificing equal rights of citizenship for all Americans in international agreements upon the altar of unconscionable expedients. I ask this committee to take a similar position. I believe that this is the right place to make this request because we are concerned here with a measure which should strengthen not weaken U.S. foreign policy and enable our country to continue in its place of high leadership in the free world.

We cannot presume to lead the free world coalition in the defense of freedom if we are parties to its subversion.



I asked permission to present my amendment to the committee this morning and to read the statement in the hope that the committee would see fit to adopt the amendment in committee. I thought I owed it to the committee to present the amendment to it because should it not be adopted by the committee I shall present the amendment on the floor of the Senate when the appropriation bill for mutual security bill reaches the floor.

Chairman HAYDEN. I assure you that your statement and the amendment will receive the consideration of the committee.

#### AUTHORIZING LEGISLATION

Senator ELLENDER. May I inquire of the Senator whether or not any effort was made to put some stronger language in the authorizing legislation?

Senator MORSE. I offered the amendment there. I lost by a vote of 47 to 43.

Senator ELLENDER. I meant before the committee of which the distinguished Senator is a member, the Senate Foreign Relations Committee.

Senator MORSE. No, it was not done in the Foreign Relations Committee. It was done on the floor of the Senate.

Senator ELLENDER. Why was it not done in the Foreign Relations Committee?

Senator MORSE. Because the matter was not called to my attention until the matter had reached the floor of the Senate.

Senator ELLENDER. This has been going on for quite some time?

Senator MORSE. That is true. I pondered a good many matters in the Senate Foreign Relations Committee and the matter was not raised.

Senator ELLENDER. Would the Senator consider this in the nature of a limitation?

Senator MORSE. Certainly, it would be a limitation in the sense——

Senator ELLENDER. In other words, it is not obligatory. The administrators of the program are not obligated to do what the Senator proposes?

Senator MORSE. It leaves it to the President. The amendment does not cut off the funds; it leaves it to the President, but it makes a statement as to what the sense of the Congress is.

Senator ELLENDER. I have asked these questions because I believe your amendment would have more effect if it were contained in the authorizing legislation.

Senator MORSE. When the authorizing legislation was before the Senate we discussed it there. My first amendment, there, may I say, was in obligatory form.

Then we rewrote it on the floor of the Senate on the suggestion of Senator Javits of New York, and Senator Keating and Senator Kennedy.

Chairman HAYDEN. Thank you, sir.

Senator MORSE. Thank you very much.

Chairman HAYDEN. Senator Keating.

## SUPPORT FOR MORSE AMENDMENT

STATEMENT OF HON. KENNETH B. KEATING, U.S. SENATOR FROM  
THE STATE OF NEW YORK

## GENERAL STATEMENT

Senator KEATING. Mr. Chairman and members of the committee, I appreciate having this opportunity to present briefly my views on the amendment authored by my colleagues, Senators Morse and Javits. I am proud to be a cosponsor of this proposal, which seeks to put Congress on record as opposing the extension of American aid to nations which discriminate against Americans on grounds of race or religion.

Let me state very frankly that I think that it is important for Congress to act in this way in order to put on the record—for all the world to see—our unshakable determination to uphold the principle that all Americans are entitled to equal treatment everywhere.

The march of events in recent years makes it vital for us to reaffirm and restate the sense of the Senate as expressed in 1956 in the resolution offered by one of my distinguished predecessors, Senator Herbert H. Lehman. The moral issue, as posed so eloquently by Senator Lehman 3 years ago, remains a paramount one in our foreign relations, and I feel it is time that issue was bluntly and forcefully presented once again.

We are all aware of the fact that this problem arises principally from the policy of the Government of Saudi Arabia which bars American Jewish soldiers from our base at Dhahran. That policy began with an agreement the United States negotiated in 1952 and renewed in 1957. In addition, the discriminatory practices of the Saudi Arabian Government have been imposed on American businesses operating in that country, including the Arabian American Oil Co., which agreed to inquire into the religion of job applicants.

## COURT DECISION

A recent decision of the New York Supreme Court, handed down by the able Judge Henry Epstein, ruled eloquently against Aramco's stand and that of the New York State Commission Against Discrimination, which had permitted the screening out of Jewish employment seekers because of the foreign policy implications.

Nevertheless, pressure from the Arab bloc continues, not only against American firms hiring Jewish employees but also against American businesses dealing with the noble State of Israel. The Arab League, I understand, has even had the effrontery to send questionnaires to American commercial outfits asking whether they have any Jewish employees or connections.

## REVISION OF AGREEMENT WITH SAUDI ARABIA

As an American who believes deeply in the principles upon which this Nation was founded, and as a Member of the Senate, I cannot stand idly by while fine American citizens are thus discriminated against. It is my hope that eventually our Government will be able to revise the present agreement with Saudi Arabia so that their prejudicial practices will be stopped.

If we are ever to reach that goal, it would be most helpful for the executive branch to have on record the convictions of the Senate in this regard. While it may be debated as to how important the Dhahran base is to our defense status, nevertheless, we must not in any way tie the hands of the President in these delicate matters of foreign policy.

AMENDMENT STATING "SENSE OF CONGRESS"

I state frankly that my strong support for this amendment is partly based on the fact that it is carefully drafted in order to avoid interfering with the Executive prerogative in the area of foreign affairs. It is important that this amendment be phrased as the "sense of Congress" and that the ultimate determination as to how best to meet some unusual emergency situation be left to the Chief Executive.

Because of my firm belief in the principle expounded by this amendment, and because it is moderately phrased so that it will not intrude upon the responsibilities of the President in the foreign field, I urge the committee to adopt this proposal. By so doing, we can show the world that we continue to adhere to the idea that there should be no distinction among citizens because of their race, creed, or color. We can strike a strong blow for the justice and morality which not only characterize our Nation's historical development, but which must serve as a keystone of our foreign policy.

Chairman HAYDEN. Thank you for your statement, Senator.

Senator KEATING. Thank you very much.

Senator ALLOTT. Mr. Chairman, I wonder if I could ask a question or two at this point.

Chairman HAYDEN. Certainly.

Senator ALLOTT. I address this primarily to the statement of the junior Senator from New York:

As the senior Senator from New York knows, I have been a strong advocate of civil rights all my life. I raise these questions because I think there are some serious questions to be faced here.

In his statement he says:

It is important that this amendment be phrased as "the sense of Congress" and that the ultimate determination as to how best to meet some unusual emergency situation be left to the Chief Executive.

But I call your attention to the amendment which has been offered which reads:

It is the sense of Congress that none of the funds appropriated or otherwise available by this act should be used for furnishing assistance to any nation which as a matter of declared policy or practice—

Now, as far as that goes that is in general line with the Lehman amendment of 1956, which I voted for and supported.

Then it says:

As determined by the President.

Now, certainly, no one can overlook the fact that there has for a period of most of the 6,000 years of recorded history been a bitter unyielding fight between various tribes and races of the Middle East. One cannot overlook the fact that it is not only a matter of religion, it is a matter of thousands of years of built-up prejudices and hatred and one cannot overlook the fact of conflict in recent history. One cannot overlook the fact that this is a part of the national policy of Saudi Arabia or any other Moslem nation.

So you say: "as determined by the President." Now, the President cannot make a false determination, so the effect of this is to force the President immediately, as an executive, to shut off funds from these countries.

It says:

Creates distinctions because of their race or religion among American citizens in the granting of personal or commercial access or any other rights otherwise available to U.S. citizens generally.

To me the most forthright way to do this would be to make the thing outright and take it off the back of the President.

Because I do not see how the President can make a false determination and I think we get into a situation here, where we, as a nation, have said repeatedly that one of the chief foreign policies was that we permit other nations to have the complete right of self-determination.

Now we may disagree with those in America, but it seems to me here that we are placing the President up against a hopeless situation.

#### U.S. INTERFERENCE IN POLICY OF FOREIGN GOVERNMENT

I disagree with the ruling of the distinguished judge from New York on this matter because there is a deep question in my mind as to how far we have a right to go in interfering with the character, nature, and beliefs of other governments.

Now, if you want to pin that flat on it and say that Congress shall not give it to any nation, all right. Then we will all vote on this bare proposition.

But it seems to me, while I supported the Lehman resolution 3 years ago, it seems to me that this is going in a direction which is almost certain to lead to trouble. I have studied the resolution. I studied the amendment offered by Senator Morse and you two gentlemen with the idea of possibly joining in its support.

I have reluctantly reached the conclusion that it has many dangers in it.

Senator KEATING. I might respond to the Senator by saying that I respect his views. As he knows better than I, legislation is always a product of a certain amount of compromise.

The principle involved is apparently one on which he and I are not in disagreement. Certainly, I regret that the amendment was not added to the authorization bill, which was certainly the more appropriate place for it. Actually, it might be more clearly in order to provide that no funds should be granted to a country which actually follows these practices, but I seriously question whether such an amendment would succeed on the floor or would be favorably reported by the committee.

I hope that this type of amendment will be successful.

#### COMPARISON WITH LEHMAN RESOLUTION

Senator ALLOTT. The Senator will agree, I am sure, that there is a world of difference between the amendment that is proposed here and the resolving clause of the Lehman resolution.

Senator KEATING. Well, I would not say a world of difference, but the language is different. The objective I think is very much the same.

Senator ALLOTT. Let me ask the Senator this: Does he concede that in any way the United States could under the Mutual Security

Act make funds available for Saudi Arabia if this was the will of Congress under the clause of the amendment which was offered?

Senator KEATING. Yes, I think we could.

Senator ALLOTT. How?

Senator KEATING. If the President made a determination that Congress was wrong, then I think the funds could be made available.

Senator ALLOTT. The President cannot make a determination in violation of the laws of Congress. I hope we are still legislating the laws which govern this country. This is the point that I am concerned about in this.

Senator KEATING. If the President made the finding which is called for in this resolution, then it would be possible for the funds to be made available. He could completely ignore this language because it is only a sense of Congress resolution.

I do not expect that any President would completely ignore it.

Senator ALLOTT. I think you will agree with me that the President could not determine that no distinctions are made because of race or religion in Saudi Arabia?

Senator KEATING. Well, among American citizens.

Senator ALLOTT. Among American citizens.

#### PURPOSE OF AMENDMENT

Senator KEATING. We are talking here about American citizens. We are not seeking by this amendment to change the religion or beliefs of the people of Saudi Arabia.

Senator ALLOTT. What you are telling them is a fact, and while I agree that they should not do this, I feel very strongly about it; what you are doing is telling in effect that they shall admit people of a certain race with whom they are by long history, religious and otherwise, greatly opposed to.

Senator KEATING. We are saying if they want American aid they must treat all Americans alike, and that that is the sense of Congress.

We are not even going so far as to say that that determination shall be final and conclusive.

Senator ALLOTT. I want to thank the Senator.

Senator ELLENDER. Senator, this would apply to Americans only and particularly to those Americans who apply for work with various oil companies and who work at the airbase?

Senator KEATING. That would be one of the ways.

Senator JAVITS. Mr. Chairman, may I respond to Senator Allott's question? I am sorry he is not here now, but I do think we have things of record which should be referred to.

#### NO LONG HISTORY OF DISCORD

Senator Allott referred to me in respect to this amendment. In the first place, there is no such history of thousands of years of strain or antagonism between Arabs and Jews. On the contrary the two Semetic races, which includes the Arabs, lived in the greatest concord and friendship for centuries.

It was only in connection with the first movement to establish any appreciable number of Jews in what is now Israel, indeed dating only not more than 35 years back, beginning in the 1920's, when you began to have any strain of this character at all.

So it is not a fact that we have a long history of antagonism and hatred. That is point 1.

#### MEANING OF A "SENSE" RESOLUTION

Secondly, a sense resolution we all understand, the President understands, everybody else understands, represents what we lawyers call a wish of the Congress. The President in the interest of national security interest could, as he has on countless occasions, say that he cannot carry out that wish at this time; he will when he can.

This is the reason that it is the sense of Congress and it is the reason that I and Senator Keating and others like us urged upon Senator Morse not to make it mandatory.

This is inherent in debate, the legislative history and the tradition of sense resolutions.

#### NEED FOR RESTATEMENT OF ATTITUDE

Finally, Mr. Chairman, as to the reason for the difference between this resolution and the Lehman resolution, it is because so long a period of time has elapsed and nothing has happened. Hence the desire is to restate this perhaps in stronger terms, but still not mandating it upon the President.

As to reference to the New York court decision on this whole controversy, Mr. Chairman, as my colleague has pointed out, what is before this committee is a question of where and how we spend our money and what we are saying is that we should not at the same time spend our money and be compelled to discriminate among our citizens; it is not Saudi Arabia discriminating, we discriminate.

#### ENFORCED PRACTICES UNACCEPTABLE

We do not include Americans of the Jewish faith belonging to Company Able of a particular regiment of a particular division which goes to the Dhahran Air Base as a security unit—we extract, we screen out the soldiers of the Jewish faith and we do not send them.

This is so contrary to the morality and practice of our country as to be intolerable.

Now, Mr. Chairman, as to the decision of the Supreme Court of the State of New York, let me point out that the laws of the State of New York are opposed to discrimination on racial ground or religious ground in offering opportunities for employment.

#### MEANING OF SUPREME COURT DECISION

The Saudi Arabia Government has endeavored to enforce this upon Aramco in its hiring of employees to work in New York. Aramco said to the New York Supreme Court: "You cannot enjoin us under New York law because we have to do this or we will be ejected from Saudi Arabia."

The New York courts have properly said, "You may be ejected from Saudi Arabia or not, but the Kingdom of Saudi Arabia cannot exempt you from the laws of the State of New York."

I think that is in essence what we are arguing here under the Constitution of the United States.

For all those reasons, Mr. Chairman, I believe that the points made by Senator Allott—whom I respect, and, incidentally, know independently and will testify here that he has given the most thorough and searching inquiry to this matter in the hope that he could join in it—but the fact that he in good conscience felt that he could not—does not necessarily mean, and he would be the first man to say so, that this is not a sound thing.

In his judgment he may think it is not, but it may be in the judgment of others the right thing to do and on an absolute basis.

Thank you, Mr. Chairman, for this opportunity.

Chairman HAYDEN. Thank you, gentlemen.

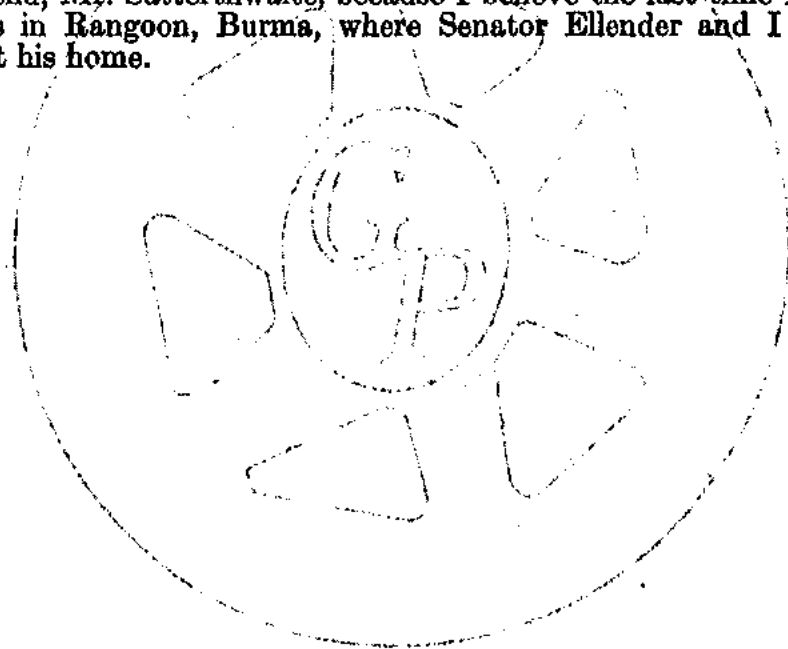
Senator SALTONSTALL. Mr. Chairman, I would like to say that I have been at the Interstate and Foreign Commerce Committee on another bill and the subcommittee of this committee on military construction this morning.

May I make it clear on the record that I support the principles of the suggested amendment of Senator Javits and the others and hope I may be helpful in working out language that covers the purposes of this amendment and at the same time is administratively practicable.

Chairman HAYDEN. The next witness this morning is Mr. Joseph C. Satterthwaite, Assistant Secretary of State for African Affairs.

Senator ELLENDER. Mr. Chairman, I wish to say that it has been my privilege to know Mr. Satterthwaite for quite some time. I had the pleasure of meeting with him at two or three posts. I also met his lovely wife and little girl. I know the African desk is in good hands when it is in the hands of Mr. Satterthwaite.

Senator DWORSHAK. Mr. Chairman, I am also happy to see my good friend, Mr. Satterthwaite, because I believe the last time I saw him was in Rangoon, Burma, where Senator Ellender and I were guests at his home.



## AFRICA

STATEMENTS OF HON. JOSEPH C. SATTERTHWAITE, ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS; MARCUS J. GORDON, REGIONAL DIRECTOR, OFFICE OF AFRICAN AND EUROPEAN OPERATIONS, INTERNATIONAL COOPERATION ADMINISTRATION; REAR ADM. E. B. GRANTHAM, JR., USN, DIRECTOR, NEAR EAST, SOUTH ASIA, AND AFRICA REGION, DEPARTMENT OF DEFENSE; ACCOMPANIED BY J. E. MURPHY, INSPECTOR GENERAL AND COMPTROLLER, MUTUAL SECURITY; GEORGE DOLGIN, POLITICO-ECONOMIC ADVISER; VINCENT SHERRY, PROGRAM OFFICER, DEPARTMENT OF STATE; STUART H. VAN DYKE, ASSISTANT DEPUTY DIRECTOR, OFFICE OF THE DEPUTY DIRECTOR FOR OPERATIONS; OLIVER L. SAUSE, CHIEF, AFRICAN AND EUROPEAN PROGRAM STAFF; C. HERBERT REES, PROGRAM OFFICER, OFFICE OF THE DEPUTY DIRECTOR FOR PROGRAM AND PLANNING; EDWARD F. TENNANT, ACTING ASSISTANT DEPUTY DIRECTOR-CONTROLLER, INTERNATIONAL COOPERATION ADMINISTRATION; CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY FOR MILITARY ASSISTANCE PROGRAMS, OASD, ISA; BRIG. GEN. JAMES H. POLK, USA, DIRECTOR, OFFICE OF PLANNING; MONROE LEIGH, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS; COL. EDWIN V. SUTHERLAND, USA, NEAR EAST, SOUTH ASIA, AND AFRICA REGION; MARKLEY SHAW, ISA COMPTROLLER; AND COL. VICTOR H. KING, USAF, DEFENSE COORDINATOR FOR MAP CONGRESSIONAL PRESENTATION, DEPARTMENT OF DEFENSE

## GENERAL STATEMENT

Mr. SATTERTHWAITE. Mr. Chairman, Senator Ellender, and Senator Dworshak are very kind indeed and I am most appreciative.

Chairman HAYDEN. In view of the time I think the committee would appreciate it if you would highlight your statement as you go along.

Mr. SATTERTHWAITE. Mr. Chairman, may I say first that since the three distinguished Senators who have testified on an amendment to this bill directed their remarks principally toward a country which is not in my area, you will not expect me, I know, to comment upon it. However, my Department, of course, will want to comment on that amendment when the appropriate time comes, possibly tomorrow when Mr. Hart testifies for the Bureau of Near Eastern and South Asian Affairs.

Mr. Chairman, and members of the committee:

## PATTERN OF NEW AFRICA

I hardly need emphasize the fact that there is probably no area on earth today more alive with change, more politically, socially and economically on the move than Africa. Seldom in history have such



tremendous changes come to any continent as those we have seen in Africa since the end of World War II. The pattern of the new Africa is unfolding rapidly. While we still talk of much of this vast continent of 220 million people as an uncommitted area, it is difficult for me to emphasize sufficiently the urgency of the problems we face in Africa.

As nation after nation reaches independence—and we have seen this happen in Libya, Morocco, Tunisia, Ghana, and Guinea since World War II—almost the first concern of these new governments is the imperative need to show reasonable results in improving the standard of living of its people. This becomes of decisive political importance to the survival of these new governments. One thing is certain: We must understand the vast political potential of this great continent, and to do so we must understand the aspirations of Africa's people. The surge toward self-government will again be reflected during 1960 when Nigeria, Cameroun, Togo, and Somalia will emerge as independent nations.

The past year in Africa has been marked by this onrushing tide of African self-determination. Nationalism has erupted in area after area in places where a year ago its rise would have seemed most unlikely. Some of the most recent manifestations were the achievement of full independence by Guinea, as a result of its voters' decision in a referendum on September 28, 1958; the All-African Peoples Conference at Accra, Ghana, in December 1958, and the riots in Leopoldville and Nyasaland. In short, little of Africa remains unstirred by the desire for greater self-expression.

#### STRUGGLE FOR INDEPENDENCE

The disorders we are now seeing in Africa can be infectious and the separate but spreading outbreaks over the continent of Africa are disturbing. While there is a great distance separating these disorders, there is for many of them a basic common denominator. It is the struggle for independence, the powerful appeal of nationalism even before institutions to channelize it constructively can be evolved.

Senator ELLENDER. When you speak of independence, is it not a fact that in the case of the Gold Coast and Nigeria the British will more or less hold economic control there.

Mr. SATTHERTHWAITE. In the case of Nigeria, Senator Ellender, independence will be granted on October 1 of 1960, following which they will have the same liberties as the other members of the Commonwealth.

#### BRITISH CONTROL

Senator ELLENDER. That is right.

In other words, the British still hold some kind of control just as they do in North and South Rhodesia?

Mr. SATTHERTHWAITE. They do now; yes, sir. But after independence they will have no more than they do, for instance, in India.

Senator ELLENDER. Of course, they will retain their commercial ties there?

Mr. SATTHERTHWAITE. Yes.

Senator ELLENDER. And they will also have a representative there. What is the title of the British representative?

Mr. SATTERTHWAITE. Governor General. They will then have a high commissioner.

Senator ELLENDER. He will more or less assist the new government?

Mr. SATTERTHWAITE. My experience in Ceylon was that once they became members of the Commonwealth, they are really, for most intents and purposes, independent.

Senator ELLENDER. They gradually drift that way, but the point is the British usually maintain some control of businesses so that any development inures not only to the benefit of the local people, but to the British as well.

In view of this why doesn't the British render the assistance instead of us? Why should we go there and pick up the tabs?

Mr. SATTERTHWAITE. Senator, I hope that we won't pick up the tabs except in a very small fashion.

Our hope is that in all these emerging countries the metropolitan powers will continue, wherever it is politically and financially possible, to give assistance.

Senator ELLENDER. We are doing it all over the world. We even assist the British possessions in South America.

#### ASSISTANCE TO NIGERIA

Mr. SATTERTHWAITE. The British assistance to Nigeria, I am confident, will be the principal assistance they receive after they obtain independence, but such small assistance as we give them in technical cooperation will I believe be very helpful and important to that country.

Senator ELLENDER. I hope we will limit it to technical assistance and not include development funds.

I understand that applications for money are being made to construct facilities in those countries. I remember when I was in Lagos in 1954 we were being asked to contribute quite a large sum to harness some big river there.

I presume sooner or later we are going to get hooked with that, too, unless we are careful.

#### PREPARED STATEMENT

Mr. SATTERTHWAITE. Mr. Chairman, you have asked me to hit the highlights. May I request that my statement be inserted.

Chairman HAYDEN. It will be included in full in the record.

Mr. SATTERTHWAITE. Thank you.

(The statement referred to follows:)

Mr. Chairman and members of the committee, I am glad of this opportunity to discuss with you the mutual security program and Africa. My appearance before you may in itself be of some significance, since it is the first time that an Assistant Secretary of State for African Affairs has made such an appearance before this committee on the mutual security program. This fact of course reflects the recognition on the part of the Congress, which last year approved a new position of Assistant Secretary of State to head the Bureau of African Affairs, of the growing importance of Africa to the free world.

I hardly need emphasize the fact that there is probably no area on earth today more alive with change, more politically, socially, and economically on the move than Africa. Seldom in history have such tremendous changes come to any continent as those we have seen in Africa since the end of World War II. The pattern of the new Africa is unfolding rapidly. While we still talk of much of this vast continent of 220 million people as an uncommitted area, it is difficult for me to emphasize sufficiently the urgency of the problems we face in Africa. As nation after nation reaches independence—and we have seen this happen in Libya,

Morocco, Tunisia, Ghana, and Guinea since World War II—almost the first concern of these new governments is the imperative need to show reasonable results in improving the standard of living of its people. This becomes of decisive political importance to the survival of these new governments. One thing is certain: We must understand the vast political potential of this great continent, and to do so we must understand the aspirations of Africa's people. The surge toward self-government will again be reflected during 1960 when Nigeria, Cameroun, Togo, and Somalia will emerge as independent nations.

The past year in Africa has been marked by this onrushing tide of African self-determination. Nationalism has erupted in area after area in places where a year ago its rise would have seemed most unlikely. Some of the most recent manifestations were the achievement of full independence by Guinea, as a result of its voters' decision in a referendum on September 28, 1958; the All-African Peoples Conference at Accra, Ghana, in December 1958, and the riots in Leopoldville and Nyasaland. In short, little of Africa remains unstirred by the desire for greater self-expression. The disorders we are now seeing in Africa can be infectious and the separate but spreading outbreaks over the continent of Africa are disturbing. While there is great distance separating these disorders, there is for many of them a basic common denominator. It is the struggle for independence, the powerful appeal of nationalism even before institutions to channelize it constructively can be evolved.

The aspirations of the pan-African independence movement were recently highlighted by the gathering of nonofficial delegates from all over the continental Accra to the aforementioned All-African Peoples Conference. One result of the Conference was to set up headquarters in Accra to coordinate the various nationalist movements. Although some of the resolutions adopted at Accra were controversial, it is evident that they generally reflected the aspirations of the Africans for self-government and economic and social progress, as well as their basic and determined opposition to colonialism and racial discrimination.

The new African States which have emerged—as well as those of longer duration—are, in general, governed by regimes which are moderate, friendly, and dedicated to the maintenance of their independence. In this we are most fortunate for these are tremendous assets to the free world which must be conserved and strengthened. But if these moderate regimes are to maintain themselves and justify their present orientation, they must be able to demonstrate to their peoples, in concrete and understandable terms, the advantages of cooperation with the West and of middle-of-the-road approaches to the solution of their current pressing problems.

I do not believe I need stress the importance of Africa to the free world, because by now this has become an accepted fact. We all know of Africa's strategic importance to the free world as evidenced in the major U.S. air, naval, and communications facilities maintained in Morocco, Libya, and Ethiopia. There is also of course a direct relationship between north African stability and peace and that of the European and Mediterranean areas. Sub-Sahara Africa's contribution of strategic raw materials—uranium, diamonds, manganese, tin, copper, chrome, to mention a few—is of vital importance to Africa's own development and to free world strength and security. The influence of African leaders and African "blocs" in world affairs and in international councils is growing. The use of this influence voiced in support of free world aims is a significant factor in debates on international issues.

#### THE COMMUNIST THREAT TO AFRICA

The yearnings and aspirations in Africa that I have previously discussed indicate quite clearly that we must accept the fact that the Communists will seek to gain influence on this great continent. It has been demonstrated time and again that they have techniques with which to exploit local difficulties and emotional issues. They particularly espouse nationalism in dependent areas and in new nations outside their own zone of influence. Above all they seek to exacerbate difficulties from whatever trouble they spring—economic, racial, and tribal—and there is always an adequate quota of trouble in new, inexperienced states.

During the past year, the outlines of the Communist offensive in Africa have emerged with startling rapidity. The organizational groundwork for Communist penetration was laid at the Cairo Afro-Asian Peoples Solidarity Conference in January 1958, with the establishment of a permanent secretariat under indirect Communist control.

In addition to the utilization of the Afro-Asian solidarity mechanism, the Communist bloc has made considerable progress in establishing diplomatic, cultural, and economic ties with the newly independent African States. Trade agreements have already been signed with Ethiopia, Morocco, Tunisia, and Guinea, while full diplomatic relations are now established with Ethiopia, Libya, Morocco, Guinea, and Ghana. Communist offers of loans, grants, and technical assistance are being effectively exploited on a widespread basis in conjunction with anticolonialist and pronationalist propaganda. It is anticipated that Communist efforts to infiltrate and dominate trade union, student, and professional groups will be greatly intensified and will take advantage of the various conferences of such groups organized under the auspices of the Afro-Asian Solidarity Council.

The immediate Communist objective in Africa is the liquidation of all Western and particularly U.S. influence. In the pursuit of this objective, it can be anticipated that diplomatic, economic, cultural, and subversive weapons will be employed in coordination to exploit to the full the openings created by the revolutionary political and social ferment now sweeping the continent.

Thus far the Kremlin has appealed to the instinctive neutralism of the newly independent nations, which are eager for economic as well as political independence. Soviet officials have hitherto used Cairo as a platform from which to offer sweeping easy trade and aid terms to all of Africa.

#### ECONOMIC PROBLEMS AND THE MUTUAL SECURITY PROGRAM

Our most important tool in helping Africa with her economic problems is the mutual security program, through which we can help the many emergent nations in their need for the technical and managerial skills which are a must before any country can hope to start on the road toward development. Without these skills, no amount of capital will bring about growth.

Africa's economic and social needs, like its political and racial problems, are as great as the continent itself. The realization of its economic potential is a tremendous task which has barely begun.

Unemployment, trade deficits, scarcity of skilled labor and managerial personnel, lack of resources, lack of educational and health facilities, paucity of private and public investment capital, and economic dislocations arising from uncertainties in their foreign relationships with other countries are but some of the problems facing the independent nations of Africa today.

All of these social and economic problems constitute a major challenge. No one nation can possibly solve them alone. Africa must have and deserves the cooperative support of her free world friends in this endeavor. To the extent that the African states are successful in maintaining their independence, in developing their human and natural resources, and in assuming a constructive and responsible role in world affairs, so will they inspire others and demonstrate to those about to achieve self-government the practical results of moderation and cooperation. In this context it is clear that external aid is a key to the realization of these advantages.

European countries continue to play a major role in the economic advancement of Africa, particularly in the dependent territories. European governments through bilateral efforts have been providing significant amounts of assistance and investments in African areas, much of which is for economic development. The International Bank for Reconstruction and Development and United Nations Technical Assistance have also been making valuable contributions to Africa's growth. In addition, private capital has made an enormous contribution to the development of Africa. I cannot emphasize too strongly the urgent need for additional private investment abroad and the enlistment of private managerial and technical talents so desperately in demand in Africa.

The mutual security program, as a vital arm of U.S. foreign policy, is becoming an increasingly important factor in Africa in achieving both short- and long-term objectives in that continent. Its personnel carry out programs which are often as important to the success of our foreign policy as the efforts of our more traditional diplomacy.

Our objectives in Africa are simply stated. As a responsible world power the United States seeks to contribute to the peace, stability, and prosperity of the African Continent. We favor the orderly development of the area toward self-government. To the extent possible, we stand ready with positive programs to assist the newly independent states to remain strong and able to work out their own destinies without outside interference by inimical interests.

The United States encourages these developments without seeking to displace anyone in Africa. We regard sympathetically the legitimate aspirations of the African peoples, while at the same time encouraging their retention of mutually advantageous ties with European powers. We recognize the essentially complementary character of the European and African Continents. The economies of the European powers would suffer greatly if they were denied access to African markets, raw materials, and investment opportunities. Africa, at the same time, can effectively expand its less highly developed economies with the technical knowledge, capital, export markets, and manufactures which Europe and the other free world countries are able to provide.

My colleagues of the Defense Department and ICA are prepared to answer your specific questions on our military and economic assistance programs. I would like to outline very briefly our proposed programs.

#### PROPOSED FISCAL YEAR 1960 PROGRAMS

##### *Economic and technical assistance*

The economic and technical assistance programs proposed for Africa for fiscal year 1960 total \$109 million. Of this total, \$88.3 million is for special assistance and \$20.7 million for technical cooperation.

Special assistance programs are planned for the three North African countries of Morocco, Tunisia, and Libya, and for Ethiopia, Somalia, and Liberia. Three of these countries, Morocco, Libya, and Ethiopia, contain important military bases and facilities. All of these countries are of special importance in maintaining the strength of the free world.

The serious economic problems in these countries, while varied in character, are of a nature most appropriately addressed by special assistance. In Morocco and Tunisia, high levels of unemployment and a general deterioration of their economies with the decline in French assistance are presenting serious problems of economic and political stability to the newly established governments. Special assistance for these two countries has been programed to provide additional resources to the development budgets to help raise the levels of economic activity. Special assistance for Libya, which is also directed to development budget requirements, has particular significance when one realizes that this country is dependent upon major external assistance for its very survival as a nation. In Somalia, special assistance will help this country maintain current levels of economic activity during this difficult period of transition to independence. For Ethiopia and Liberia, the fiscal year 1960 special assistance programs have been planned to help broaden the impact of technical cooperation projects and in this way, demonstrate U.S. concern for their development problems.

The technical cooperation program in Africa is being expanded markedly. The \$20.7 million proposed for fiscal year 1960 represents a 40 percent increase over the fiscal year 1959 and a 66 percent increase over fiscal year 1958. Much of this increase is for newly established country programs in Morocco, Somalia, Nigeria, Ghana, the East African Territories, and the Federation of Rhodesia and Nyasaland. African multi-country projects are also proposed at a substantially higher level largely as a result of the National Academy of Sciences' study of development problems in Africa south of the Sahara. The major technical cooperation programs in Liberia, Libya, and Ethiopia are being continued.

##### *Military assistance*

The United States is currently engaged in a relatively small grant military assistance program in Ethiopia, and in cooperation with the British is supporting a Libyan army of modest size. We have also agreed to sell limited quantities of arms to Tunisia, and have in the past made available some light equipment for purchase by Liberia. Liberia also defrays the cost of a small U.S. military mission which is engaged in training their internal security forces. For fiscal year 1960, \$7,379,000 is proposed to continue military assistance to Africa. These programs are designed to contribute to the continue free world orientation and stability of their governments by enabling them to maintain armed forces adequate in size, training, and equipment to assure internal security and to deter and defend themselves against local aggression.

By our economic and technical aid programs we are assisting the leaders and people of Africa to tackle their pressing internal problems and giving them a sound basis to hope for meaningful progress through nontotalitarian methods. This hope, and the challenge to make good on it offer a healthy focus for the

strong nationalism of the newly independent peoples, a focus much needed to nullify the appeal of irresponsible extremist movements which feed on hopelessness.

While economic development is primarily a task for the peoples of Africa, our mutual security program is helping to remove such bottlenecks to development as a lack of capital and a shortage or lack of certain kinds of technical and administrative knowledge and skills.

Africa's most pressing needs for economic growth are in the infrastructure of the economies: Communications, transportation, power, ports, and public services. It is in these areas of development that the Development Loan Fund will become one of the most important elements of our mutual security effort in Africa.

Because of the uncertainties we face in Africa, with new nations being born almost overnight, we must have flexibility to handle the unforeseen situations and emergencies. It is for this reason that I consider a substantial contingency fund an indispensable element in this year's aid request.

I am convinced that the yearning of the peoples of Africa for a better way of life presents us with one of the great challenges of our time. If we fail to respond adequately, we may stand accused as a people who proclaim our own satisfaction with the benefits of freedom and well-being but who are insensitive to the yearnings and needs of others. We must recognize that our posture before the world can be no better than the manner in which we fulfill obligations that flow from our status as the most materially favored nation in all history. The objective must be to help raise other peoples' standards of living. In doing so we shall also help to quicken the pace of personal and political development, a goal which is impossible of achievement in the absence of economic growth.

The orientation of Africa will in the long run depend on where the leaders and peoples feel their best interests lie. The ability of the West to encourage the pro-Western orientation of Africa will, moreover, probably depend less on our ability to convince Africans of the dangers of communism than on our demonstrating to them in positive terms the advantages of cooperation with the West.

Gentlemen, I cannot face with equanimity the prospect of a reduction in the amounts we have requested for economic programs in Africa in fiscal year 1960. The stakes in this vast continent are great, and under the best of circumstances it would be difficult to guarantee the achievement of U.S. objectives with the sums now requested. It must be borne in mind that these programs were formulated many months ago and that changes are taking place on the African Continent with almost unbelievable rapidity. Without exception, these changes have intensified the original problems which confronted us.

New countries have been created. Areas now independent or facing independence find that they have underestimated the responsibilities and costs of sovereignty and the depth of the people's drive for economic advancement. Stresses and strains are occurring in the fabric of their economies which jeopardize political stability and cause adverse reactions on the U.S. position, particularly where we have important strategic bases.

In order that our objectives may be secured, we will without doubt need additional funds for this area over and above our original program plans and we are counting on assistance from the contingency fund. There are distinct limits, however, to the extent to which we may depend upon this source, in view of the very many worldwide claims upon it which are anticipated. We therefore could not hope to offset cuts made on our planned economic programs by a resort to this fund, and if such cuts were made I believe it would mean premature and wasteful termination of many individual country projects as well as a serious slow down in programs generally.

The effect of this on our objectives would not be open to doubt. In addition to the danger to our present position, such action would create a vacuum in many areas. Nature abhors a vacuum, but the Soviet bloc profits from situations of this kind.

Since my first appearance before the Congress in support of the mutual security program in April of this year, there has been a notable increase in the pace of Soviet politico-economic infiltration and involvement in the African Continent.

Approval of the 1960 mutual security program for Africa in the amounts requested is of signal importance to the realization of the objectives of peace and stability in that vital part of the world.

A responsible Africa is emerging on the world scene. We must stand prepared to give it sympathetic support and assistance if its great potential is to be achieved in a manner which will also benefit the free world.

## GOVERNMENTS OF NEW AFRICAN STATES

Mr. SATTERTHWAIT. The new African states, which have emerged, as well as those of longer duration, are, in general, governed by regimes which are moderate, friendly, and dedicated to the maintenance of their independence.

In this we are most fortunate, for these are tremendous assets to the free world which must be conserved and strengthened.

But if these moderate regimes are to maintain themselves and justify their present orientation, they must be able to demonstrate to their peoples, in concrete and understandable terms, the advantages of cooperation with the West and of middle-of-the-road approaches to the solution of their current pressing problems.

Senator ELLENDER. When you speak of the Communist bloc, you mean Russia and her satellites?

Mr. SATTERTHWAIT. Yes, sir.

Sub-Sahara Africa's contribution of strategic raw materials—uranium, diamonds, manganese, tin, copper, chrome, to mention a few—is of vital importance to Africa's own development and to free world strength and security. The influence of African leaders and African blocs in world affairs and in international councils is growing. The use of this influence voiced in support of free world aims is a significant factor in debates on international issues.

## THE COMMUNIST THREAT TO AFRICA

The yearnings and aspirations in Africa that I have previously discussed indicate quite clearly that we must accept the fact that the Communists will seek to gain influence on this great continent. It has been demonstrated time and again that they have techniques with which to exploit local difficulties and emotional issues. They particularly espouse nationalism in dependent areas and in new nations outside their own zone of influence. Above all, they seek to exacerbate difficulties from whatever trouble they spring—economic, racial, and tribal—and there is always an adequate quota of trouble in new, inexperienced states.

During the past year, the outlines of the Communist offensive in Africa have emerged with startling rapidity. The organizational groundwork for Communist penetration was laid at the Cairo Afro-Asian Peoples Solidarity Conference in January 1958, with the establishment of a permanent secretariat under indirect Communist control.

In addition to the utilization of the Afro-Asian solidarity mechanism, the Communist bloc has made considerable progress in establishing diplomatic, cultural, and economic ties with the newly independent African states.

## TRADE AGREEMENTS

Trade agreements have already been signed with Ethiopia, Morocco, Tunisia, and Guinea, while full diplomatic relations are now established with Ethiopia, Libya, Morocco, Guinea, and Ghana.

Communist offers of loans, grants, and technical assistance are being effectively exploited on a widespread basis in conjunction with anti-colonialist and pronationalist propaganda.

Senator ELLENDER. Now, what is wrong with that, Mr. Satterthwaite? Why should not those people accept help from other countries?

Mr. SATTERTHWAITE. They are doing so, Senator.

Senator ELLENDER. You do not think we ought to object to that, do you?

Mr. SATTERTHWAITE. Yes, sir. I think that it is not in our national interest.

Senator ELLENDER. You think we ought to step in and give it all to them and keep the Russians out; is that your idea?

Mr. SATTERTHWAITE. Senator, I am aware of your feelings in this respect and perhaps the time will come when we will be agreeable to foreign states receiving unlimited aid from the Soviet bloc.

I should say that in Burma, where you went over the program, we never made a representation to the Burmese Government against their accepting Soviet aid, but we did feel it was contrary to the free world's interest.

#### RUSSIAN AID TO BURMA

Senator ELLENDER. Do you not think it was more or less a godsend for Burma to receive aid from the Russians?

Of course, you know what happened, the Burmese became very disenchanted with the Russians, as a result of the Russian type aid.

As I remember, the Russians furnished cement which was left on the wharves until it turned to stone. In return for the cement, Russia received rice from Burma which she used to compete with Burma in the world rice market.

Do you not think that if such a policy were continued by the Russians these countries would soon sour on Russia?

Mr. SATTERTHWAITE. That is a very attractive argument. I think the weak point in it from the Department's viewpoint is that with their aid come hundreds of technicians.

Senator ELLENDER. That may be true. But would we be affected in America if many Russian technicians came here?

Mr. SATTERTHWAITE. No, sir.

Senator ELLENDER. Of course not.

It is my belief that the more contact had with the Russians the better is the chance to show how phony communism is.

Mr. SATTERTHWAITE. Senator, I don't believe that can possibly be the case in Africa where the people don't have experience with these problems that we do and where their standard of living is so low.

Senator ELLENDER. I believe that we should let Russia aid these countries.

It is my belief that this will be the quickest way to show these people that aid from Russia is not rendered to assist them but rather to permit Russia to get a hold on them. They will soon find that out no matter how literate they are.

That is why I think it is a mistake for us to block any of this aid.

#### ARMS AND EQUIPMENT FOR AFRICAN COUNTRIES

Chairman HAYDEN. Could I ask this question: There is the question of economic aid that Senator Ellender very properly raised.



Now, how about arms and equipment for the armed forces of these African countries. Are they being supplied from Communist countries?

Mr. SATTERTHWAITE. Mr. Chairman, our military program as Admiral Grantham's statement points out, I am sorry, Mr. Chairman, you are asking about the Communist giving arms?

Chairman HAYDEN. I am asking what action the Communists have taken to supply arms and equipment to the African nations.

Mr. SATTERTHWAITE. The Czechoslovakian Government has sold and delivered to the Moroccan Government one shipment of arms and they delivered a certain number of arms to Guinea shortly after it achieved its independence last year.

So far as I know, that is the limit.

Senator ELLENDER. Russia sold theirs. We gave them ours. Did we sell anything to Ethiopia?

Mr. SATTERTHWAITE. That is grant-aid. In the case of Tunisia, sir, it has been a sale.

Senator ELLENDER. But at the beginning we refused because we did not want to get involved in the trouble between Tunisia and Algeria. That is why we did not sell to them, Mr. Satterthwaite. That is why they went to some other country.

Mr. SATTERTHWAITE. ———. Mr. Chairman, have I answered your question?

Chairman HAYDEN. I was just curious about whether the Soviet Union was offering these new countries arms and equipment for their military forces.

Mr. SATTERTHWAITE. Only in those two cases, sir. And I should point out that in my discussion I am not referring to either Egypt or Sudan, nor, of course, to Algeria.

Senator ELLENDER. But all arms furnished so far as you know, were on a sale basis.

Mr. SATTERTHWAITE. I believe in the case of Guinea that it was an outright grant.

Senator ELLENDER. Do you believe, or are you sure of it?

Mr. SATTERTHWAITE. I am sure of it.

Senator ELLENDER. Of Guinea?

Mr. SATTERTHWAITE. Yes, sir.

Chairman HAYDEN. What happened in the case of Guinea?

#### SOVIET MILITARY ASSISTANCE TO GUINEA

Mr. SATTERTHWAITE. As you will recall, Mr. Chairman, the French withdrew from Guinea and they withdrew the arms which the security forces had with them. The Soviet bloc immediately offered assistance and in very short order did ship arms for the Guinea security forces as a gift.

Chairman HAYDEN. Was it a large quantity?

Mr. SATTERTHWAITE. That is something of a mystery. Possibly up to as many as 8,000 rifles.

Senator ELLENDER. That was more or less for internal security?

Mr. SATTERTHWAITE. Yes. The Guineans say it was 3,000.

Chairman HAYDEN. Thank you.

## SOVIET TECHNICIANS

Senator DWORSHAK. You mentioned a while ago that the Soviets were sending technicians into many of these underdeveloped countries. We have likewise sent hundreds and hundreds of technicians in these countries for the purpose of rendering technical assistance. What is your observation in comparing the work which is being done by these American technicians and the Russian technicians? Have you any information on that?

Mr. SATTERTHWAITE. Let me say that Guinea is the only state in which a great many technicians have yet arrived. My observation is that many of these technicians are also, of course, agents for the Soviet Government who are acting as agents and whose main purpose is not that of assisting them with technical assistance.

Senator DWORSHAK. Would that not be apparent to the people in those countries so that they would quickly recognize that the Soviets are more interested in promoting communism than they are in rendering assistance? Do they not make that observation?

Mr. SATTERTHWAITE. We would hope so, Senator Dworshak. But again let me point out that in the African countries the rate of literacy, as you know, is very low. These people are just emerging into independence. We do not think many of them would realize this.

## TECHNICAL ASSISTANCE EMPHASIS IN AFRICA

Senator DWORSHAK. Why, what is the emphasis being placed on, so far as our technical assistance is concerned, agricultural development or mining? What is it?

Mr. SATTERTHWAITE. In Africa it is on agriculture, health, and education.

I should turn to my ICA colleagues principally. Perhaps Mr. Van Dyke could give you some examples offhand.

Senator DWORSHAK. Will you list a few specific projects?

## TOTAL REQUEST

Mr. VAN DYKE. The total requested for technical cooperation for 1960 is \$20,700,000, of which one-third, roughly, is for agriculture, fisheries, and forests.

One-sixth is for education, and the balance broken down between industry and mining, transportation, health and sanitation, labor, public administration, and community development.

Senator DWORSHAK. What do you do in the way of mining development? They have rich mineral deposits in many of those countries. Is it your objective to help them develop those and to export those minerals?

Mr. VAN DYKE. By and large, sir, our money will not be spent to assist mining operations because they can normally be self-financed in the world's money market.

We would, however, help to do such things as to train people to work in the mines, teach them the elementary trades, bricklaying, carpentry, and so on, teach them to read and write.

## AGRICULTURAL POTENTIAL

Senator DWORSHAK. Of course, there their agriculture is very provincial. I presume there is great potential in that field?

Mr. VAN DYKE. Yes, sir; Africa has a great potential in the agricultural field.

This is one area in which we are heavily involved in most countries.

Senator DWORSHAK. Are they underfed and undernourished generally in those countries?

Mr. VAN DYKE. The observation of people we send down there is that they are very short in proteins. There is ample starch. They tend to eat a lot of rice, casaba, and root crops.

Mr. SATTERTHWAITE. They are scarcely ever near the starvation level in Africa south of the Sahara.

Senator DWORSHAK. They have such wonderful natural resources that you would think it would not require too much technical assistance and work along that line.

Mr. SATTERTHWAITE. ICA is working along that line to help in the protein problem.

As Senator Ellender can tell you, in Liberia, for instance, you will never see a dog or cat.

Senator DWORSHAK. I have heard his story with reference to Africa where we go into areas and teach them how to raise chickens and then they disappear very quickly.

Senator ELLENDER. Mr. Satterthwaite, the gentleman to your left stated that \$20 million was being spent in all of Africa.

Mr. VAN DYKE. That is the request for 1960 for technical cooperation.

Senator ELLENDER. How much of that \$20 million is used for purposes other than demonstration?

Mr. VAN DYKE. I think none, Senator. We have tried to screen that out. Where capital improvements are proposed they are not to be funded under technical assistance.

## JIMMA AGRICULTURAL SCHOOL IN ETHIOPIA

Senator ELLENDER. When I was in Addis Ababa in 1953, I recall we had started building an agricultural school there. I made the complaint then that I felt they were using some of the technical aid funds in order to build this college.

Now, to what extent is any of that being done now?

Mr. VAN DYKE. We have a contract with Oklahoma State University, you will recall, for services.

Senator ELLENDER. That is for services; that is for teaching?

Mr. VAN DYKE. Yes, sir.

Senator ELLENDER. I am talking about the construction of the school. It was being built, as I recall, about 75 to 100 miles away from Addis Ababa. It was an agricultural school.

Mr. GORDON. That was the Jimma Agricultural School. You will recall we visited it together in 1953 when you were there.

Senator ELLENDER. Yes, I remember that. They had just started it. Their idea was to try to get the Ethiopians to plant better seed

and plant it in season. That was one of the chief projects, I remember, and I thought it was a good one.

As I recall, we were spending some of the technical assistance fund in the construction of some of the buildings and I objected to that because I did not think it was the intent of Congress to use technical aid funds to make capital improvements.

You are now telling me that this is carefully screened and that none of the \$20 million will be used for capital improvements.

Mr. VAN DYKE. We have, sir, within the \$20 million technical cooperation program, some funds for demonstration supplies and demonstration equipment.

Senator ELLENDER. How much does that amount to? I have been told that in some countries it is as high as 20 percent.

Mr. VAN DYKE. We screen the program so it should not exceed 20 percent.

Senator ELLENDER. Will you give me an example of what you call demonstration supplies?

Mr. VAN DYKE. Take the Agricultural School there at Jimma. Certainly some of the equipment which you saw in that institution was financed under the technical cooperation program to demonstrate to the students methods of seed testing, for example.

#### CHEMICAL LABORATORY EQUIPMENT

Senator ELLENDER. As I remember, we ended up by supplying most of the equipment necessary for an entire chemical laboratory.

Do you consider that demonstration?

Mr. VAN DYKE. That would be training equipment.

Senator ELLENDER. If another school were constructed there, would you use technical aid funds to equip the laboratories?

Mr. VAN DYKE. Certainly. That is within the framework of the legislation under which we are operating.

We try to draw the line where there is a permanent capital improvement involved, such as construction of a building. We do not normally build buildings from the technical cooperation appropriation, except perhaps a demonstration primary school or some such institution as that.

#### TEACHER TRAINING PROGRAM IN LIBYA

Senator ELLENDER. What kind of program have you for the education of teachers? I notice that you are programming funds for teachers for Libyan schools. You have proposed an amount of ——— dollars.

Mr. VAN DYKE. I would like Mr. Gordon to comment on that, Senator.

Senator ELLENDER. How is that money to be used?

Mr. SATTERTHWAITE. Senator, Mr. Gordon has just taken up his new position after being stationed in Libya.

Senator ELLENDER. All right, Mr. Gordon.

Mr. GORDON. Mr. Chairman, Senator Ellender, the provision of teachers and teacher training program in Libya has several parts to it.

Out of technical cooperation funds we have been providing technical assistance to the teacher training colleges.

Senator ELLENDER. When you say you have been providing technical assistance, do you mean teachers?

Mr. GORDON. We have provided specialists to help them improve their curriculum; summer training to upgrade the teachers while they are teaching; and preparation of better teaching training materials.

In addition to that, in Libya, because of an unusual situation there, we have helped to procure teachers. For a number of years Libya has been largely dependent upon foreign teachers to man its secondary schools. They have had a cultural agreement with Egypt under which the Egyptian Government has been providing them with most of their secondary teachers.

Senator ELLENDER. At whose expense are these teachers obtained?

Mr. GORDON. They have been subsidized by the Egyptian Government and paid modest salaries by the Libyan Government as well.

Senator ELLENDER. How did we come into the picture?

Mr. GORDON. We came into it in this way—

Senator ELLENDER. I mean by way of paying for the teachers.

#### RECRUITMENT OF TEACHERS

Mr. GORDON. The Libyan Government came to us and said they would like to be less dependent upon one source for their teachers. They would like to reduce the domination of the Egyptians over their secondary school system.

It was becoming clear to them that this was somewhat in the nature of an apparatus used for political purposes.

They asked us to help them recruit teachers from other sources, Arabic speaking teachers, help screen the applications, select teachers, and also assist financially.

Senator ELLENDER. My question is: To what extent have we actually used technical aid assistance, technical funds, to pay teachers to teach the children in Libya?

Mr. GORDON. In Libya, the payments for these teachers do not come out of the technical cooperation program; they come out of special assistance.

Senator ELLENDER. What is this ——— dollars for fiscal year 1960? The title of the project, "Provision of Teachers for Libya Schools."

Do you use that much money, ——— dollars?

Mr. GORDON. Senator, I believe that is under special assistance.

Senator ELLENDER. Is all of it special assistance?

Mr. GORDON. Yes, provision of teachers under special assistance.

Senator ELLENDER. I understand. So that any funds earmarked for technical assistance are not used to pay teachers?

Mr. GORDON. That is correct, sir.

#### TOTAL TECHNICAL ASSISTANCE FUNDS PROVIDED FOR LIBYA

Senator ELLENDER. How much technical assistance funds do we provide for Libya?

Mr. GORDON. In the fiscal year 1960, \$2.75 million are proposed.

Senator ELLENDER. How do you use that outside of the teaching? Do you have that?

Mr. GORDON. Yes, we can give you that breakdown: \$766,000 for agriculture, forestry, and fisheries; \$139,000 for industry and mining;

\$237,000 for health and sanitation; \$236,000 for education; and public administration, \$120,000; community development, \$55,000; and general and miscellaneous, \$1,197,000.

Senator ELLENDER. I notice here that Libya is down for ----- dollars. What is that for? Will you give us a breakdown as to how that money will be used?

#### PROJECT TYPE ASSISTANCE

Mr. MURPHY. ----- dollars of that is for project type assistance, Senator ELLENDER. Such as?

Mr. MURPHY. I will give you the details in a minute.

----- dollars is proposed for financing commodity imports. That is the way the breakdown would occur.

Now, on project assistance the illustrative breakdown would be as follows:

In the field of agriculture, forestry, and fisheries, -----.

In the field of industry and mining, -----.

In transportation, -----.

Health and sanitation, -----.

Education, -----.

Public administration, -----.

Community development and social welfare, -----.

And general and miscellaneous, -----.

Now, the details as to what project that would be used for and their cost components are set out, Senator, on pages 165 and 166.

Now, with respect to the proposed commodity import program of ----- this is set out on page 169 and in this instance it is contemplated that it will be used entirely for financing the import of -----.

Senator ELLENDER. Let me ask you this:

Are these funds ----- being used under the auspices of our technical program there?

In other words, does the Libyan Government follow through with some of the suggestions made by our technicians?

#### PROGRAM TECHNICIANS

Mr. GORDON. Senator, if I may answer that, in Libya it happens that almost all of the projects being carried out with special assistance funds, although they are under the general supervision of the Libyan Government, are being carried out with the advice and assistance of American technicians who are financed from the TC funds. There are a few exceptions where there are some good Libyan technicians or others where there are some other foreigners, British or Dutch nationals, who are helping the Libyans.

But in all cases our people have reviewed the projects technically, and in many cases they are actually helping to supervise the projects.

#### FOREST PROJECT IN DESERT

Senator ELLENDER. As I recall, you had some forestry projects there in the sand dunes where you tried to anchor the desert; is that work progressing? Is that the kind of work you are doing in forestry?

Mr. GORDON. There is very little of that being done now. In a few areas where there was difficulty with the sand moving into productive land there was some sand dune stabilization.

## WATER PROJECTS

Senator ELLENDER. I notice in Tunisia as well as Libya that efforts were made to drill wells in order to get fresh water. Is that program still going on?

Mr. GORDON. There is well drilling. The main effort is to preserve the surface water. We know there is a limited amount of ground water. Therefore, we are concentrating on rehabilitating old Roman cisterns, building dikes, and terraces.

## TREE PLANTING

Getting back to forestry for the moment, the primary effort is tree planting and building up the capacity of the nurseries. We have expanded the nursery capacity from 2 million to 6 million trees.

Senator ELLENDER. Before you do the tree planting do you have to anchor the sand dunes so that the wind will not blow them away? Is that the kind of work that is going on now?

Mr. GORDON. Most of the tree planting, Senator Ellender, is not in the sand areas. It is actually on what they call the *jebel*, the high elevations in Tripolitania and Cyrenaica, where the potential is much better.

Senator ELLENDER. What cooperation are you getting from the Government in furnishing labor to proceed with these projects?

Mr. GORDON. We are getting excellent cooperation in forestry.

That happens to be one of the few fields in which the Libyan Government has a trained man. They have a forester who was trained in the United States who is in charge of forestry work in Cyrenaica.

## GOVERNMENT DEPENDENT ON FOREIGN AID

Senator ELLENDER. Does the Libyan Government in anywise match the contributions we are making, this ——— that Mr. Murphy just mentioned a moment ago?

Mr. GORDON. Senator, the Libyan Government is dependent on foreign aid from the United States and the United Kingdom for its entire development program and also for part of its regular budget.

It has needed budgetary assistance since it became independent, and it is receiving substantial assistance from both the United States and United Kingdom.

Senator ELLENDER. In other words, there is very little money collected from Libyan citizens by way of taxation?

Mr. GORDON. Their income is very small. Their main revenue is from customs receipts. Revenues were \$40.6 million as compared with total expenditure of \$56.2 million in the 1959 budget.

So they have a deficit of \$15.6 million.

Senator ELLENDER. \$40.6 million is a bigger sum than I thought they were able to obtain. I guess the soldiers there account for a good deal of that.

Mr. GORDON. They account for part of it. That figure also includes the grants from the United Kingdom and special Air Force funds so that direct Libyan Government revenues would be about \$30 million.

## OIL STRIKE SOUTH OF BENG-HAZI

Senator ELLENDER. I notice they struck a huge oil pool 100 miles or so south of Benghazi.

Mr. GORDON. That is right.

Senator ELLENDER. Will you take that into consideration in preparing your next budget?

Mr. GORDON. It will probably be at least 2 years, perhaps 3, before the Libyan Government realizes any revenues from this. The oil strike does look very encouraging. They will, I think, have to put down more holes before they really know the size of the field, the amount of oil available.

## MILITARY ASSISTANCE TO ETHIOPIA

Senator ELLENDER. Who is familiar, Mr. Satterthwaite, with Ethiopia? I would like to know a little more about its military assistance program.

Admiral GRANTHAM. Senator, we are supporting in total strength about ———.

Senator ELLENDER. You mean soldiers?

Admiral GRANTHAM. Soldiers, airmen and navy. They have a small navy and a small air force.

Principally it is soldiers, ——— soldiers, the balance sailors and airmen.

Senator ELLENDER. Have we trainers there?

Admiral GRANTHAM. Yes, sir; we do.

But their navy is trained by Norwegians and their air force by Swedes, their army by Americans.

Senator ELLENDER. Who pays for all of that?

Admiral GRANTHAM. The Ethiopian Government pays for the hire of the Norwegians and the Swedes, and we give them grant aid to cover their army.

Senator ELLENDER. How is that money used, ———.

Admiral GRANTHAM. That will be used for military equipment to furnish them the kind of light equipment they need for internal security matters.

Senator ELLENDER. Primarily for that?

Admiral GRANTHAM. Primarily for that.

## PAY OF SOLDIERS

Senator ELLENDER. Now, will any of this money be used to pay the soldiers?

Admiral GRANTHAM. No, sir; that is a charge against the Ethiopian Government.

Senator ELLENDER. This is strictly to pay for equipment so as to assure internal security?

Admiral GRANTHAM. Equipment and training. ———.

I am sure that Mr. Satterthwaite will agree we should carry on with this commitment.

## MILITARY ASSISTANCE TO ETHIOPIA IN 1959

Senator ELLENDER. What is the total amount of military assistance we have given to Ethiopia through fiscal year 1959?



Admiral GRANTHAM. Through the fiscal year 1959 the cumulative program has been ———.

Senator ELLENDER. This year you have ———.

Admiral GRANTHAM. That is right.

Senator ELLENDER. Is that about as much as you have furnished per year in the past, or has it decreased?

Admiral GRANTHAM. ——— I believe is a little less.

You see, Senator, we had in 1959, ———.

Senator ELLENDER. As I understand, Ethiopia is the only country in Africa to which we are furnishing military assistance.

Admiral GRANTHAM. Well, there has been a slight change in that. We are currently furnishing it to Tunisia, but in sales.

Senator ELLENDER. I am talking about grants.

Admiral GRANTHAM. We have in the past furnished something for Libya, ———.

Senator ELLENDER. Yes; I understand.

Admiral GRANTHAM. Right now Ethiopia is the only country.

Senator ELLENDER. Thank you very much, Mr. Chairman.

Mr. SATTERTHWAITE. Shall I continue with my statement, Mr. Chairman?

Chairman HAYDEN. Yes, sir. I think we will go on another 15 minutes.

#### COMMUNIST OBJECTIVES IN AFRICA

Mr. SATTERTHWAITE. We were speaking of the Communist objectives in Africa which we see to be the liquidation of all Western and particularly the U.S. influence. In the pursuit of this objective, it can be anticipated that diplomatic, economic, cultural, and subversive weapons will be employed in coordination to exploit to the full the openings created by the revolutionary political and social ferment now sweeping the continent.

Thus far the Kremlin has appealed to the instinctive neutralism of the newly independent nations, which are eager for economic as well as political independence. Soviet officials have hitherto used Cairo as a platform from which to offer sweeping easy trade and aid terms to all of Africa.

#### ECONOMIC PROBLEMS AND THE MUTUAL SECURITY PROGRAM

Our most important tool in helping Africa with her economic problems is the mutual security program, through which we can help the many emergent nations in their need for the technical and managerial skills which are a must before any country can hope to start on the road toward development. Without these skills, no amount of capital will bring about growth.

Africa's economic and social needs, like its political and racial problems, are as great as the continent itself. The realization of its economic potential is a tremendous task which has barely begun.

Unemployment, trade deficits, scarcity of skilled labor and managerial personnel, lack of resources, lack of educational and health facilities, paucity of private and public investment capital, and economic dislocations arising from uncertainties in their foreign relationships with other countries are but some of the problems facing the independent nations of Africa today.

All of these social and economic problems constitute a major challenge. No one nation can possibly solve them alone. Africa must have and deserves the cooperative support of her free world friends in this endeavor. To the extent that the African states are successful in maintaining their independence, in developing their human and natural resources, and in assuming a constructive and responsible role in world affairs, so will they inspire others and demonstrate to those about to achieve self-government the practical results of moderation and cooperation. In this context it is clear that external aid is a key to the realization of these advantages.

#### ROLE OF EUROPE IN ECONOMIC ADVANCEMENT OF AFRICA

European countries continue to play a major role in the economic advancement of Africa, particularly in the dependent territories. European governments through bilateral efforts have been providing significant amounts of assistance and investments in African areas, much of which is for economic development.

The International Bank for Reconstruction and Development and United Nations Technical Assistance have also been making valuable contributions to Africa's growth. In addition, private capital has made an enormous contribution to the development of Africa. I cannot emphasize too strongly the urgent need for additional private investment abroad and the enlistment of private managerial and technical talents so desperately in demand in Africa.

The mutual security program, as a vital arm of U.S. foreign policy, is becoming an increasingly important factor in Africa in achieving both short- and long-term objectives in that continent. Its personnel carry out programs which are often as important to the success of our foreign policy as the efforts of our more traditional diplomacy.

#### U.S. OBJECTIVES IN AFRICA

Our objectives in Africa are simply stated. As a responsible world power the United States seeks to contribute to the peace, stability, and prosperity of the African Continent. We favor the orderly development of the area toward self-government. To the extent possible, we stand ready with positive programs to assist the newly independent states to remain strong and able to work out their own destinies without outside interference by inimical interests.

The United States encourages these developments without seeking to displace anyone in Africa. We regard sympathetically the legitimate aspirations of the African peoples, while at the same time encouraging their retention of mutually advantageous ties with European powers.

We recognize the essentially complementary character of the European and African Continents. The economies of the European powers would suffer greatly if they were denied access to African markets, raw materials and investment opportunities. Africa, at the same time, can effectively expand its less highly developed economies with the technical knowledge, capital, export markets and manufactures which Europe and the other free world countries are able to provide.

Chairman HAYDEN. You have very well covered the economic and technical assistance problem unless there are some further questions.

## TOTAL ECONOMIC AND TECHNICAL ASSISTANCE PROGRAMS

Senator ELLENDER. I notice, Mr. Satterthwaite, that the total for 1960 in economic and technical assistance programs is ——— dollars.

Mr. SATTERTHWAITE. That is right.

Senator ELLENDER. I presume that includes the ——— dollars that we are giving to Libya?

Mr. SATTERTHWAITE. To Morocco.

Senator ELLENDER. To Morocco?

Mr. SATTERTHWAITE. Yes, sir. It is a combination of special and technical assistance.

Senator ELLENDER. I do not want to go into details now but is that money being spent in the same manner and for the same purpose as you described for Libya?

Mr. SATTERTHWAITE. Sir, the technical cooperation assistance to Morocco, of course, is only \$1 million.

Senator ELLENDER. I know that. I am talking about the ——— dollars. How is that money being spent?

Mr. VAN DYKE. I would like to respond to that. Let me tell you how the 1959 money was spent.

Senator ELLENDER. We have it here for 1959. I would like to know what the proposed ——— dollars will be used for.

Mr. VAN DYKE. If you will look on page 181 of this presentation you will see the proposed breakdown as between commodities.

——— dollars for surplus agricultural commodities.

Senator ELLENDER. Now, this ——— dollars, is that to buy our surpluses?

Mr. VAN DYKE. Yes, sir; under section 402.

Another ——— dollars proposed for food which is nonsurplus, namely, ———.

Senator ELLENDER. Are those goods being bought directly by importers of that country through exporters from this country?

Mr. VAN DYKE. Yes, sir; this is handled through private channels of trade in accordance with our legislation.

Senator ELLENDER. And the funds to pay for them are furnished by us?

Mr. VAN DYKE. The dollars are furnished by us and the eventual consumer puts up counterpart funds.

Senator ELLENDER. The counterpart funds are then used for economic assistance?

Mr. VAN DYKE. That is right.

Senator ELLENDER. Does the same thing prevail so far as you know as for the other funds for the rest of Africa?

Mr. VAN DYKE. Each country is a little different.

Senator ELLENDER. I know that they buy different things because their needs are different, but the question I would like to propound is this:

Do you know if any of these funds are being paid directly to the rulers of Morocco or Tunisia?

Mr. VAN DYKE. No, sir. Mr. Murphy might want to comment on that. He has a system by which such things are precluded.

Mr. MURPHY. I would have to give the same answer, Senator Ellender.

Senator ELLENDER. You do not know?

Mr. MURPHY. I don't know of any such funds being paid directly to any of the rulers.

If it were happening, I am quite certain I would know about it.

Senator ELLENDER. Well, as far as you know they are used to purchase goods and merchandise.

Mr. MURPHY. That is the plan.

Senator ELLENDER. And the counterpart funds are used to carry out projects under the supervision of ICA. Is that correct?

Mr. MURPHY. This is my understanding of the way it is supposed to work; yes, sir.

Senator ELLENDER. Thank you, Mr. Chairman

#### PREPARED STATEMENT

Chairman HAYDEN. I think we should have in the record the statements of Marcus J. Gordon, Regional Director for Africa and Europe, and the statement of Rear Admiral Grantham, Director for Near East, South Asia, and Africa Region.

We will place those in the record.

(The statements referred to follow:)

STATEMENT OF REAR ADM. E. B. GRANTHAM, JR., USN, DIRECTOR, NEAR EAST SOUTH ASIA, AND AFRICA REGION, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS), DEPARTMENT OF DEFENSE

#### AFRICA

##### *General*

Mr. Chairman and members of the committee, Africa has for the United States a strategic importance which is frequently overlooked because of a natural preoccupation with areas in which we face problems posing more immediate threats to our national security. Africa's geography, human and natural resources are indispensable assets which must not be lost to the free world. We must do whatever is necessary to prevent the rapidly developing tide of nationalism throughout the continent from bringing significant gains there for international communism. To date, direct bloc incursions in the military field have been negligible. However, that they are eager and ready to capitalize on emerging opportunities is clear. This has been demonstrated by the promptness with which the Czechs moved to provide armaments to newly independent Guinea. This event foreshadows a growing threat to free world interests in the continent.

##### *U.S. Strategic Interests*

Our military assistance activities in Africa are relatively new and modest in scope. But our current strategic interests there are great, well defined, and urgent.

Our present military interests are concentrated in Morocco, Libya, and Ethiopia. In these countries are located major U.S. air, naval, and communications facilities.

In addition to pure military requirements in Africa, we and our allies need continued access to a wide range of essential materials extending from petroleum in the Sahara to uranium in the Belgian Congo.

In short, we not only have important long-range strategic requirements in Africa, but we also have the present and continuing need to retain military installations there.

The military assistance program for Africa, modest in scope as it is, provides us with a persuasive instrument which, in concert with other measures (and I refer especially to the programs administered through the International Cooperation Administration), can secure for the United States strategic advantages in the continent essential to the success of our overall strategy.

Dollarwise the military assistance program for Africa is the smallest of all the regional programs. Cumulative programs during the period fiscal year 1950 through fiscal year 1959 amounted to an estimated \$34.4 million. During fiscal year 1959 we provided an estimated \$10.7 million in grant military assistance. For fiscal year 1960 we are requesting a total of \$7.4 million for grant assistance.

## COUNTRY PROGRAMS

*Ethiopia*

Ethiopia attaches the greatest importance to her armed forces. In the past her pro-West orientation has offered the West strategically important territories; certain important operational facilities; and a moderating influence in Pan-African and Afro-Asian conferences, particularly in support of U.N. collective security. By providing military assistance we contribute to the preservation of Ethiopia's pro-Western alignment.

*Libya*

Our military interest in Libya centers in Wheelus Air Force Base near Tripoli, headquarters of the 17th Air Force. This base is important not only strategically, but also because of the U.S. Air Force training activity conducted there.

To assist the Libyan Government in maintaining internal security, and at the same time discourage the growth of Communist influence, the United States supports a small military assistance program. To date this assistance has been shared by the United States and the United Kingdom.

Firm requirements growing out of joint United States-United Kingdom consultations regarding continued joint provision of military aid are now under process of refinement and will provide the basis for a modest U.S. program in fiscal year 1960.

*Liberia*

Liberia maintains an active frontier force, capable of maintaining internal security. Since 1951 a small U.S. Army mission has been providing training guidance.

Liberia cannot be expected to develop military forces capable of contributing to allied operations. Its importance to the United States lies in a substantial private investment there and the necessity for demonstrating our continuing interest in her maintenance of internal stability and her general well-being. Liberia's historical ties with the United States cause her to be viewed by the other African nations as an American creation, and our attitude toward her is considered as basically indicative of our policy toward Africa as a whole.

The limited military assistance which we have provided her should be regarded in that context.

Training assistance through the small U.S. training mission assigned there will be continued during fiscal year 1960.

*Tunisia*

The United States first provided military assistance on a sales basis to Tunisia in 1957 when that Government, feeling its security seriously threatened by political and military developments in the general region, sought to purchase arms from the United States. Tunisia has recently indicated additional requirements for military equipment. These are now being studied by the Department of Defense.

## CONCLUSION

In concluding this brief statement for the record, it is necessary to emphasize once again the critical importance of our military bases and installations in Africa and the contribution they make to our global security system. The military assistance program is closely related to retention of the vital military privileges the United States is granted in recipient countries. The cost involved is small compared to the privileges enjoyed.

## STATEMENT OF MARCUS J. GORDON, REGIONAL DIRECTOR FOR AFRICA AND EUROPE, INTERNATIONAL COOPERATION ADMINISTRATION

## AFRICA

With Mr. Satterthwaite's statement providing the political setting for the mutual security program in Africa, I would like to present in further detail a few points on the economic situation in Africa, ICA program accomplishments, and the proposal for fiscal year 1960.

*The economic challenge*

Aspirations for independence often carry with them the belief that freedom from outside control will bring economic prosperity. Yet the problems of Africa's

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## AFRICA

With Mr. Satterthwaite's statement providing the political setting for the mutual security program in Africa, I would like to present in further detail a few points on the economic situation in Africa, ICA program accomplishments, and the proposal for fiscal year 1960.

*The economic challenge*

Aspirations for independence often carry with them the belief that freedom from outside control will bring economic prosperity. Yet the problems of Africa's

underdeveloped economies, compounded by the shortage of trained administrators and technicians, are deep rooted. As the challenge of political independence is met and overcome, the new African countries are inevitably faced with serious problems in the economic field. If they fail to attack these problems, the result may be political turmoil more intense than that generated by the struggle for independence itself.

The task of economic development in Africa is immense. A continent of 220 million people, covering one-fifth of the world's inhabited area, Africa contains some of the most primitive areas of the world. Even in areas where economic growth has begun, much of the population continues to live at levels hardly better than their ancestors generations ago.

The average per capita GNP for African countries (exclusive of Sudan and Egypt but including Union of South Africa) in 1957 was \$125, the lowest for any continent. Among the individual countries the figures in 1958 range from a low of \$31 in Somalia and \$44 in Ethiopia to \$191 in Morocco. In terms of the daily life of the Somali nomad this means a few handfuls of grain for food and a never-ending trek from waterhole to waterhole with his family and cattle. For the Ethiopian farmer, it means bare subsistence, poor housing, and a meager crop after arduous labor with crude implements. To the lowest paid Rhodesian copper miner, it means a wage of \$30 per month, or to the workers in trade and industry in the cities of Tunisia, it means a standard wage of 17 cents an hour. Raising the living standards of these people, even slightly, will require large-scale capital investment and a major effort in the transfer of technical skills.

Although 75 to 85 percent of the population is engaged in agriculture, much of Africa is characterized by infertile soils, searing deserts, and dry steppes or dense tropics.

Except for the extractive industries, which many Africans believe have made only limited contributions to their economic advancement, industrial and commercial activity is rudimentary.

Transportation facilities are sparse, major portions of the continent are isolated from participation in trade and the benefits of economic progress. In all of Africa, there are estimated to be only 755,000 miles of roads as compared with 3 million miles in the United States. Similarly, there are only 46,000 miles of railroad, practically all of which is on the perimeter of the continent and rarely penetrates the vast hinterlands.

The absence of a well-developed infrastructure is a major impediment to development of Africa's physical resources. An even more urgent need is the development of its human resources. Levels of education are low, and there is a critical shortage of Africans with technical skills and administrative know-how. The acuteness of this problem and how directly it affects economic activity are becoming particularly clear in those countries where independence has recently been achieved, and where there has been an exodus of European technicians and administrators. In Morocco, 16,000 of the 45,000 French officials and technicians left the country between 1955 and 1957. Tunisia and Ghana have similar problems. Nigeria, with independence just around the corner, is already seriously concerned about the departure of British technicians and administrators. While these countries are applying stopgap measures in an attempt to ease the immediate problem, the basic solution lies in the accelerated preparation of Africans for these posts.

Illiteracy in African countries ranges as high as 85 to 99 percent. The number of children in school is but a fraction of the total school-age population. In Somalia, for example, only 7 percent of the elementary school-age children are in school. In some countries there are only a few graduates of secondary schools and even fewer college graduates; yet these few must provide Africa's technical and administrative leadership.

The problem of education is aggravated by serious problems of disease and health. Death rates and the incidence of debilitating diseases are high. For example, in Liberia 60 percent of the total population is afflicted with malaria. Dysentery, tuberculosis, yaws, and bilharzia are widespread. The annual death rate per thousand is 30 compared to 9 in the United States. Of all live-born infants, 70 percent die before reaching the age of 2.

Meeting this challenge is basically the job of the African people and their leaders. Though they may accept this responsibility with energy and enthusiasm, it should be recognized that none of the African countries can possibly cope with these problems without assistance from other members of the free world community.

*Forms of external assistance*

Assistance from European countries is of major importance in Africa's development. One source of assistance from Europe is the Common Market Fund which over 5 years is providing \$580 million for economic development in the French territories, Belgian Congo, and Somalia. France, in addition, has been providing about \$600 million a year in public funds to Algeria and French dependent territories. The United Kingdom is contributing about \$65 million a year to its territories and commonwealth partners in Africa. Spain, Belgium, and Italy continue to spend a combined total of about \$25 million a year for the benefit of their associated African territories.

The International Bank for Reconstruction and Development and the United Nations technical assistance program also are playing important roles in Africa. The IBRD has made loans in Africa (excluding the Union of South Africa) as of December 31, 1958, totaling more than \$300 million for such major projects as Ethiopian road construction, Nigerian railroads, and electric power and railroad projects in the Federation of Rhodesia and Nyasaland. Under the United Nations expanded program for technical assistance, about \$3 million of the world total of \$26 million is being spent annually in African countries, excluding Egypt and Sudan.

Private enterprise both United States and foreign can bring to Africa valuable assets of capital and technical know-how. However, other than the major private investment in the extractive industries, United States and other foreign private capital flowing to Africa is meager.

It is U.S. policy to encourage support from these multilateral and bilateral government programs as well as from U.S. and other private enterprise. These sources by themselves, however, cannot keep pace with the economic problems and aspirations which are growing at an accelerating rate. In the light of Africa's need for U.S. assistance, an affirmative response is basic to current and long-range U.S. interests.

Several instruments available to the U.S. Government are actively being employed wherever feasible in support of African development. The Export-Import Bank and Public Law 480 are both filling special needs. From June 1950 to December 1958 the Export-Import Bank has made loans totaling \$47.1 million to African countries where ICA has programs. These loans are contributing to important developments in air transportation in Ethiopia and highway construction in Liberia. While the possibilities for sales under title I of Public Law 480 are limited because there is little commercial import demand for agricultural commodities, a number of relief and emergency situations have been met with grants under titles II and III.

*The mutual security program and accomplishments*

The principal means of advancing U.S. economic objectives in Africa are those of the mutual security program. Within this authority the Development Loan Fund is employed to the maximum extent possible to support those long-term capital requirements that cannot be met from other sources. To date seven loans have been approved for African countries (excluding Sudan) totaling \$19.3 million. Major projects being financed by the Development Loan Fund, for example, are a pulp factory for Tunisia and telecommunications in Liberia. Depending upon the adequacy of appropriations made available to the Development Loan Fund and the development of sound projects appropriate for DLF financing, it is hoped that loans from the DLF for Africa will rise sharply in the next year.

Because of the variety and complexity of Africa's needs, the Development Loan Fund cannot meet many of the requirements for external assistance. In some cases the principal need is for assistance with immediate problems of political and economic stability as distinct from the needs for long-range economic growth. In others there is a very limited capacity to repay, even in local currencies. In still others, the projects proposed for MSP financing are not normally considered suitable for loan programs. The appropriations for special assistance and technical cooperation are thus valuable instruments in the furtherance of African advancement, particularly since they permit allocations responsive to the special U.S. objectives in each recipient country to be planned in advance. Accomplishments to date, I believe, firmly attest to the value of special assistance and technical cooperation as instruments for carrying out the purposes of the mutual security legislation.

Special assistance, provided to Libya, Morocco, Tunisia, Ethiopia, Liberia and Somalia, has contributed substantially to the furtherance of U.S. objectives in these areas. Each of these countries has serious economic problems; each is of



special importance in the preservation of free world strength and support. Three of them contain military facilities important to the free world defensive pattern. Failure to supply this special assistance might result in costly losses to the United States of free world defensive strength. It would also lose the recognition of positive U.S. concern for the firm establishment and progress of new nations. Fiscal year 1959 special assistance programs for Africa have been approved to date to a level of \$83.4 million which is almost the same amount (\$83 million) submitted to Congress a year ago. In general the African programs have not been seriously affected by the overall reduction in the special assistance appropriation last year. The urgent requirements in this area made it necessary to provide the full amounts proposed.

The technical cooperation programs now operating in 11 African countries or territories have been effective in serving the basic interests of the host country as well as the primary foreign policy objectives of the United States. These programs, designed to increase the skills and raise the productivity of the African people, are creating a widespread feeling that cooperation with the United States is bringing them the tools with which they can break out from the vicious circle of economic and social stagnation.

The success of these programs in the African area, though limited by the fact that many are relatively new, is already noteworthy.

#### *Education and training*

A basic feature of almost all of the country programs has been a concentration on education and training. I use these terms in the broadest context covering the establishment of educational institutions and the training of Africans in the wide variety of skills essential to economic growth. The lack of trained African technicians and administrators who can carry the main responsibility for development is a major block to economic progress. U.S. assistance has had a key role in a number of significant achievements in this area. Forty educational institutions and training centers have been established or assisted, including agricultural, vocational, and trade schools in five African countries.

Successful examples include in Ethiopia the Imperial Ethiopian College of Agriculture and Mechanical Arts at Alem Maya and the Agricultural Technical School at Jimma. In this country, which only a few years ago had no trained agriculturists, there are now 18 Ethiopians with BS degrees in agriculture—educated in their own country—and 175 who have graduated from the agricultural high school. Total enrollment at the college level this year is 201. Under the guidance of Oklahoma State University a highly effective system of agricultural education based on the land-grant type of agricultural college is being adapted to Ethiopian conditions. By teaching modern practices, by developing improved crops and breeds of farm animals through research and experimentation, and by training young Ethiopian agriculturists to spread their newly acquired knowledge among their countrymen, these institutions will have a profound influence on Ethiopia's development.

In Liberia, a self-help rural school development project is helping to extend elementary education into the interior where the great majority of untrained Liberians live. Construction of a 10-building complex with facilities for 500 pupils was completed in one district in 1955. These facilities did not prove adequate, so nine village schools were erected in the vicinity by the villagers with the assistance of U.S. technicians. Completed in fiscal year 1957, these additional schools increased the student enrollment capacity to 1,400. They are spread over an area of 64 square miles including two chiefdoms. So great was the local desire for these schools that villagers carried building materials on their heads over narrow trails for distances of up to 12 miles from the end of the motor road. In-service training workshops were organized with help from our technicians to upgrade teaching practices in the schools, and a supervisor is being trained to administer the district.

English is Liberia's national language. Yet, at the outset, none of the pupils could speak it. Through technical assistance language instruction was instituted. Pupils can now converse in English. Instructional materials which help relate subject matter in the three R's to the students' needs and experiences have been developed and introduced. With the aid of the agricultural extension service, school gardens have been introduced to demonstrate improved farming methods and provide food for boarding students at the central school. U.S. health technicians have assisted in the expansion of the central school's water supply. Libraries have been established at the central school and two of the village schools.

During the current fiscal year, it is planned to inaugurate an adult education program in the district involving instruction in health, agriculture, arts and crafts, home economics and literacy.

In a similar effort to expand education in Libya, 37 school buildings containing 118 classrooms were completed in fiscal year 1958. This is part of a larger program under which 90 new school buildings have been constructed and an additional 9 buildings rehabilitated. These include ordinary boys' and girls' schools, vocational training establishments, and teacher training colleges. Support was provided to five teacher training colleges with a total enrollment of 1,750. Co-sponsored summer courses have contributed to the upgrading of 900 elementary teachers.

In the field of public health training, the Public Health College and Training Center at Gondar, Ethiopia is an outstanding example. By teaching young Ethiopian men and women the principles and practices of sanitation, hygiene, preventive medicine and community health, and organizing them into field teams, U.S. assistance, in joint endeavor with WHO, UNICEF and the Ethiopian Ministry of Health, is helping to establish a sound national public health service in Ethiopia. The first class of 20 health officers, 15 community nurses and 12 sanitarians graduated in 1957. These health technicians have completed a 1-year internship in practical field work and have now been assigned to the Ministry of Public Health working as teams in the rural areas. The 1958 class of 62 will soon complete its year of internship. The training facilities at Gondar have been improved immensely with a modern hospital developed through the rehabilitation of old hospital buildings, the development of a safe water supply, and the addition of a modern operating room provided with adequate instruments, equipment and medicines. A health clinic and training center to provide field experience for the college students has been set up nearby and others are under construction. This center is serving thousands of the Ethiopian rural population while providing necessary field experience for the health teams. Similar health training programs, though on a lesser scale, are underway with good results in Libya and Liberia.

In Uganda, a five-man team from the Delgado Trades School of New Orleans under a contract with ICA is assisting the Kampala Technical Institute in training Africans in basic trades. Some of the students will become teachers of technical subjects for Uganda's secondary schools; the others will be skilled craftsmen for Uganda's industry. The first text books in basic technical fields are being developed for commercial printing and distribution. This project in Uganda is but one of several projects in African countries in technical training in industrial trades which have been established or supported with U.S. assistance. There are now two trades schools in Ethiopia, four in Libya and another in Liberia.

An interesting activity in Ethiopia aimed at trades training in one specific area is the National Airlines training project, which is preparing Ethiopian personnel for positions with the Ethiopian Airlines. Thirty Ethiopian pilot-candidates are in ground school Link trainer and flight training; one pilot has qualified as an airline captain. Thirty-eight Ethiopian employees are receiving instruction in line maintenance, six in a sheet metal course, eight in component overhaul and seven in basic electrical system maintenance.

Nearly 600 Africans have been or are receiving training under the ICA participant program. Training of this type covers a wide variety of technical subjects including, for example, agricultural extension, teacher training, and industrial loan servicing. As a consequence of participant training, the Federal and territorial agricultural services of the Federation of Rhodesia and Nyasaland have adopted the American approach to land use planning including aerial photographs and land use classification techniques and consider it a major tool for improving the country's agriculture.

Seventeen Moroccan rural teachers and three from Tunisia have received 1 year of teacher training in the United States. They spent half of the period at Kansas State Teachers College and the other half at Ohio State University. Their studies were directed toward the problems of rural education. Moroccan participation in this activity represented the first project entered into by the Moroccan Government to train Moroccans in the United States. The participants indicated that they had seen for the first time the relationship between the community and the school, and the need for the school to serve the economic needs of the community. In part, as a consequence of this project, the Moroccan Ministry of Education has indicated a desire to expand its program in this area of teacher training.

*Agricultural development*

While assistance in education and training has been substantial, there has been an equally important concentration on agricultural production and related problems of water conservation and development. The forestry conservation project in Liberia is one example. This project is designed to assist the Liberian Government in the rational development of its bountiful but largely unexploited forest resources. The first phase of this project to be completed this year includes the enactment of forest conservation legislation, the organization and development of a forestry service and forestry school, establishment of a system of national forest areas, and promotion of the development of the forestry industry. It is estimated that under wise management the Liberian forest industry eventually would export annually products valued at \$120 million while fully replenishing timber reserves.

ICA provided technical advice to the Government of Liberia in drafting legislation to authorize the establishment of national forests and the formation of a forestry service. This legislation was enacted into law in 1953. Under the technical guidance of U.S. forestry advisers, a national forestry service has been established and staffed. It now has a trained staff of 61 Liberians including forest rangers, guards and patrolmen who delineate and protect the national forests and maintain proper management practices. Research and promotional activities have been carried out under its aegis. A goal of 4 million acres was set for establishment as national forests. Liberian teams trained by ICA technicians have already surveyed 3.2 million acres which have been incorporated in the national forest system. These teams will complete the survey of the remaining 0.8 million acres in fiscal year 1959.

To stimulate the growth of the forest industries, research, technical assistance, and other promotional activities have been carried out under the aegis of the forestry service. New uses have been found for Liberian woods and technical information has been provided the industry on timber resources, logging, sawmilling, and marketing problems. In large part as a result of these activities, development of the forestry industry has stepped up and utilization of Liberian woods significantly increased. In 1956 a Liberian-American firm was organized to undertake the first modern sawmilling and lumber finishing operation for the domestic market and the manufacture of finished wood products. A loan made to this firm in December 1958 by the Development Loan Fund will enable it to expand production capacity. Increased production by this firm will further reduce Liberia's dependence on foreign sources of finished wood products. As a result of research under this project it was shown that certain Liberian trees are suitable for use as railroad ties. It has been announced that 600,000 ties, worth \$3 million, will be made from such timber and used to extend the railroad of one of Liberia's major mining concerns.

The Libyan soil and water conservation project has been particularly successful in providing scarce water for agricultural and domestic requirements. In Tripolitania at the end of 1957, over 10,000 linear meters of rock and earth dikes had been constructed affecting 4,300 acres of land, and 64 cisterns had been cleaned and repaired to provide more than 6 million gallons of water. The program of catching runoff water will mean the growing of an additional 3,800 tons of cereal crops each year on a sustained basis. This means in rough terms a 5 percent increase in average grain production in Tripolitania. In Cyrenaica by the summer of 1958 a total of 295 dikes had been constructed to irrigate approximately 5,400 acres of land.

Similarly, in Tunisia, the water conservation program, financed from U.S.-owned local currencies with technical guidance from U.S. technicians, is making important contributions to agricultural production. Water retaining dams and water spreading ditches have been constructed to irrigate 500 acres of land which is to be planted with 20,000 olive trees, fruit trees, and date palms. Present plans call for the planting of 200,000 trees in another area. An important aspect of this program is the relief work which has been provided for large numbers of Tunisian unemployed.

In Somalia, over one-half of U.S. assistance has been concentrated on the development and conservation of water resources, well drilling, the construction of stock water ponds and the preparation of low-lying areas for irrigation. By July of last year, 208 wells had been drilled or dug and were producing water. Water production is estimated at over 1 million gallons per day, enough to meet the needs of 200,000 cattle. Water from the two rivers now irrigates 100,000 acres which will produce cereal crops for some 12,000 families. To take full advantage of the large livestock resources of the country, a range and livestock experi-

mental station has been set up covering 7,000 acres. Improved slaughtering and tanning methods are being introduced and should result in better prices for Somali hides and skins.

In neighboring Ethiopia similar accomplishments have resulted from the livestock improvement project. U.S. technicians and their Ethiopian counterparts are establishing four livestock breeding stations and introducing local cattlemen to the technique of upgrading their livestock. A vaccine laboratory has been established in cooperation with FAO technicians and has been producing about 3 million doses annually, used in a campaign to free Ethiopian cattle from rinderpest, pleuropneumonia, and other livestock diseases. A veterinary assistants training center was set up in 1957. About 300 vaccinators have received training in vaccination techniques. These vaccinators have been organized into 6 mobile operating teams each of which, under good conditions, can vaccinate 30,000 cattle a month as compared with the 1956 average of 3,000.

One interesting project in Ethiopia is the farm machinery project. Large quantities of agricultural machinery and implements left over from the Italian occupation and the UNRRA program had been lying unused. (None of this equipment was supplied with funds from the mutual security program.) With U.S. assistance, the Ministry of Agriculture has organized a central repair and training center at which 70 Ethiopians have received training in the repair, maintenance and manufacturing of farm implements. Since late 1957, 335 small plows have been manufactured from old plowshares and plow handles brought to Ethiopia 12 years ago by UNRRA. The Ethiopian farmer bought the plows for \$8, which covers cost of modification. Forty-four units of heavy farm equipment have been rebuilt or repaired. These implements are in use at agricultural experimental stations and agricultural schools. Six tractors and three threshing machines have been assigned to a farm equipment program initiated in 1958 which makes tractors and threshing machines available to farmers and landowners at operating and maintenance cost. Work proceeds for 1958 were credited to the machinery pool account and used to expand implement modification and rehabilitation at the central repair shop.

Perhaps one of the most important features of U.S. programs in the African countries has been the organization of national agricultural extension services. This type of program, which has proved so successful in the United States, is the key to stimulating agricultural production in Africa. To date, agricultural extension services are being organized in Libya, Liberia, Ghana, Ethiopia, Tunisia, and Somalia.

In Libya, 10 agricultural extension field offices and 34 suboffices have been set up and staffed by 62 extension workers and 2 extension supervisors. In 1 year this service distributed 500,000 trees to farmers, helped them prune 14,000 fruit trees, dipped and drenched 15,000 sheep and goats, repaired 81 wells, installed 95 irrigation pumps, and showed technical film strips and motion pictures to over 70,000 people.

In Ethiopia, 60 Ethiopians have received training in agricultural extension work. There are 31 presently stationed in district field offices; 14 are participants taking advanced extension courses abroad; 15 are trainees working with the experienced extension agents. Since July 1, 1957, agricultural field days have been held with 11,000 farmers in attendance; 25,000 individual farm visits have been made by the Ethiopian extension agents assisting farmers with their individual agricultural problems; 1,680 farmers have visited area extension offices for agricultural information; 2,042 group educational and demonstration meetings have been held with over 14,000 farmers attending; and 77 farm youth clubs with over 8,000 members have been organized. Improved seeds from the experimental and demonstration farms have been distributed to Ethiopian farmers. Demonstration farms serve as training centers in the use of farm equipment, seedbed preparation, cultivation, harvesting, and testing the adaptability of newly introduced field crops.

U.S. assistance, through its support of programs directly aimed at the productivity of the African farmer, is helping to lay a solid foundation for the economic growth of African countries.

#### *Industrial Development*

While agricultural development has logically and properly the first priority in African development programs, industrial development has been given increasing attention. Opportunities for stimulating the advancement of private enterprise are limited by the paucity of domestic capital, the poverty of domestic markets, and the general unfamiliarity with this form of economic enterprise. However, in one country, U.S. assistance has made an important though modest be-

ginning. Just over a year ago, in Tunisia, counterpart funds and technical assistance were provided to establish an industrial loan fund in the new commercial and development bank established by the Tunisian Government. Under United States-Tunisian agreement, the initial deposit was the local currency equivalent of \$3 million in counterpart. Assistance in organization, in procedures and training in loan review, and in servicing of loans are provided by the two U.S. technicians. To date 23 loans in amounts from \$7,000 to \$238,000 have been made for such activities as soap manufacture from olive oil sludge, food processing, tanneries, and earth-moving equipment. An industrial loan division has been established and training has been given in loan analysis, including technical feasibility and management competence. A start has been made on training loan administrators to provide industrial engineering and management assistance when the loans have been made. Through the establishment of the fund, there is, for the first time, a local source of medium- and long-term credit at reasonable rates for specific projects. This is helping to create a climate in which the role of private enterprise can be demonstrated and its participation actively sought by the Government. Tunisian private capital is thus being encouraged to participate in industrial development and domestic savings are being mobilized.

Closely related to industrial growth and agricultural productivity is U.S. assistance in surveys of two major African rivers which can become important sources for industrial power and irrigation. In Ethiopia work is moving ahead rapidly on an extensive survey of the Blue Nile River Basin. An aerial survey of 113,000 square miles of the Blue Nile River Basin was completed under contract in about 2 months, 68 days ahead of scheduled completion date. Ethiopian apprentices of the Imperial Ethiopian Institute of Mapping and Geography are being trained in photogrammetry and the compilation of photomosaic maps. Sixty-five Ethiopian technicians assigned to leveling, triangulation, and reconnaissance parties are receiving instruction in geodetic survey, working with 12 U.S. Coast and Geodetic Survey personnel. U.S. Bureau of Reclamation personnel have conducted an air reconnaissance of the Blue Nile and its tributaries covering more than 12,000 square miles. Two stream-gaging stations are now in operation on the Blue Nile and one on a tributary. Eight additional sites for stream-gaging stations have been located and surveyed.

In Ghana, ICA assisted in the resurvey of the Volta River scheme, which is a program for the development of a multipurpose dam to provide irrigation for the Accra Plains, power for the production of aluminum from local bauxite deposits and for other industry, a navigable North-South Waterway and a basis for a fresh water fisheries industry.

#### *Other significant developments*

There are other significant achievements in other categories. For example, a major milestone was reached in December 1958 when the new transmitters of the Libyan Broadcasting Station were turned on in Tripoli and Benghazi. The Tripoli station is now broadcasting about 5 hours daily. Temporary studio and other programing facilities have also been established and permanent facilities are under construction. Under the guidance of an American consultant and with the help of a few nationals from other Arab countries, Libyans are taking an increasingly active role in the preparation of the programs.

Most of the activities cited above are illustrative of achievements resulting from long-term efforts. However, ICA has responded to a number of emergency situations with speed and effectiveness.

In 1958 parts of Ethiopia suffered a malaria epidemic more violent than any experienced in 10 to 20 years. Personnel, resources, and facilities of the ICA field staff, with the help of visiting United States/United Kingdom experts, were concentrated on malaria epidemic control activities, including responsibility for coordination of the overall efforts. Within 10 days of the initial request from the Ethiopian Government, antimalarial medicine from the United States and British East Africa arrived in Ethiopia. To take one instance, in a valley near Lake Tanna where malaria prostrated 80 percent of the people, virtually none of the estimated 2,000 farmers were able to harvest their crops. After treatment with the malaria drugs, 90 percent of these farmers were back in the fields harvesting their crops within 3 days. Transmission of the disease in this area has declined to a negligible point and emergency measures are no longer necessary.

When the Ghanaian Government asked for help in meeting a famine in the northern part of the country, the first shipments of corn began arriving a month after the formal request. Similarly, in Ethiopia an appeal from the Government in August 1958 for grain to meet a shortage resulting from severe drought was responded to with shipments of 5,000 tons of grain within a month.

*Proposed fiscal year 1960 program*

The response of the mutual security program to the rapid entry of Africa into world affairs is clearly reflected in the trend in total economic assistance to Africa over the past 8 years. As the graph on page 118 in your "Regional Presentation Book" illustrates, the level of economic assistance from 1952 to 1956 averaged around \$10 million per year. In fiscal year 1957, the total rose to \$61 million; in fiscal year 1958, to \$73 million. This year it will reach \$98 million. A further increase to \$109 million has been proposed for fiscal year 1960.

These increases are almost directly related to the emergence of new sovereign states in Africa and to the rising aspirations and expectations of their people. The newly established governments, whose leaders share free world aims, are only too well aware of these demands, but have found their ability to satisfy them limited. Pressures on these governments will continue to mount. With the help of the mutual security program, it is hoped that serious difficulties can be avoided and that the expectations of the African people for better conditions of life can be realized.

*Special assistance*

For fiscal year 1960, special assistance has been proposed for the north African countries of Morocco, Tunisia, and Libya, and for Somalia, Liberia, and Ethiopia. Three of these countries, Morocco, Libya, and Ethiopia, in addition to their political importance to our interests in Africa, are sites of important U.S. military facilities. The fiscal year 1960 special assistance total we had proposed for Africa is a modest increase over the level of \$83 million submitted to Congress last year for fiscal year 1959. In fiscal year 1959 total special assistance programs approved amount to \$82.9 million.

*Morocco*

The Moroccan economy has suffered serious disruptions in the past 2 years. Total output since 1956 has fallen about 2 percent, while population increased rapidly, directly lowering the personal consumption of the Moroccan people, leaving many increasing numbers of unemployed, and creating serious internal political problems. With its fertile land and mineral resources, Morocco has a good development potential. The exploitation of these resources, however, is seriously hindered by the shortage of capital and administrative capability which have resulted from the withdrawal of French funds and technicians. The immediate need is for funds to enable the Moroccan Government to undertake a development program which will prevent a further deterioration in living standards and will help put the unemployed into productive work. Other sources of assistance, such as Public Law 480 and the Development Loan Fund, have been carefully explored. There are now several projects under consideration for Development Loan Fund financing though none has been approved.

*Tunisia*

Since independence, French assistance to Tunisia, including public and private capital and managerial skills, has declined, aggravating chronic problems of low productivity and poor natural resources. Unemployment has reached serious proportions. If, however, action is not taken by this committee to restore special assistance funds, it will probably be necessary to reduce our program for Tunisia. In this event, not only would it be impossible to stimulate an upturn in economic activity but some economic deterioration may be impossible to prevent. Special assistance funds recommended for fiscal year 1960 will help Tunisia continue the level of investment essential to economic growth.

*Libya*

In Libya, the third major special assistance country within the African region, progress is being made to raise the country from its deep-rooted problems of poverty and low productivity. Yet there is still substantial requirements to be met with external assistance if this country is to survive as a nation. Libya does not now have a viable economy. Only 3 million of its 534 million acres are suitable for limited agricultural cultivation. Irregular and inadequate rainfall, hot, dry desert winds, locust invasion, and other difficulties have in recent years resulted in extensive crop failure in 6 years out of 11. Apart from the possibility of petroleum, there are almost no known exploitable mineral resources. The Libyan gross national product in 1958 was \$102 per capita and this was made possible only by substantial monetary and technical aid, primarily from the United States and the United Kingdom. Libya is dependent upon external assistance for about 30 percent of its ordinary budget and for virtually all of its

development program. The United Kingdom and the United States, who have strongly supported Libyan independence, have a major interest in helping Libya become a self-sustaining nation. We consider the special assistance proposed to be the minimum, after taking into account other sources of assistance essential to provide rising standards of living and the concomitant conditions of stability.

#### *Ethiopia and Liberia*

For Ethiopia and Liberia, the special assistance proposed for fiscal year 1960 will be used for projects primarily in support of technical assistance activities. For example, in Ethiopia funds are earmarked for farm-to-market roads, engineering and construction surveys, and additional facilities for agricultural schools. In Ethiopia, a portion of the special assistance will be used for U.S. surplus agricultural commodities, the sales proceeds of which will be used to cover local currency costs of continuing projects in the fields of agriculture, transportation, and education to assist in Ethiopia's quest for development progress.

In Liberia, special assistance is required to demonstrate the U.S. interest and support in Liberia's moderating, pro-Western role in African affairs. The reductions discussed would mean a serious cutback in the top priority construction of teacher-training facilities which Liberia cannot presently afford.

#### *Somalia*

Somalia becomes independent in 1960. The United States has assured Somalia of continued interest and support after independence and has stated that subject to the limitations of annual appropriations the United States is prepared to supplement the support of other Western nations in maintaining an appropriate level of economic development. Somalia is one of the poorest countries in Africa and the world. Its per capita gross national product has been estimated at only \$31. It has a literacy rate of 1 percent. Its natural resources are meager. Economic viability is only a future hope. Special assistance proposed for fiscal year 1960, in conjunction with Italian contributions and contributions from the Common Market Development Fund, will support a level of expenditure on public investment which increases slightly over previous years. This is particularly important because of the expectations of the Somali people for economic improvement.

#### *Technical cooperation*

The \$20.7 million proposed for "Technical cooperation" for fiscal year 1960 represents a 40-percent increase over the estimated program for fiscal year 1959 and a 66-percent increase over the actual program in fiscal year 1958. Such increases would be impossible if the committee fails to restore the prospective reductions. The increase in the technical cooperation program is largely a reflection of expanded needs in new country programs, particularly in Morocco, Nigeria, Ghana, Somalia, the East African territories, and the Federation of Rhodesia and Nyasaland. There is also an increase in funds earmarked for multicountry projects which will result from the study of development problems in Africa south of the Sahara which the National Academy of Sciences completed in June. Important technical assistance programs will be continued in Ethiopia, Libya, and Liberia. All of these programs are directed at the paucity of modern technological skills and administrative techniques which seriously impede an acceleration of economic growth.

Approximately one-third of the total technical cooperation program for fiscal year 1960 is earmarked for projects in agriculture. About 20 percent is planned for education. Industry and health programs also are major areas for the fiscal year 1960 program. Technical cooperation funds in lesser amounts are proposed for labor, public administration, and transportation.

By major cost component the provision of "U.S. technicians" and "Contract services" account for approximately \$14 million out of the proposed \$20.7 million. The cost of "African participants" is projected at \$2.7 million; \$2.3 million is planned for "Demonstrational supplies and equipment" and "Contributions to cooperative services."

With the primary emphasis of the technical cooperation program on training and demonstration, it is clear that the impact of this program is dependent upon our ability to find and keep well-qualified technicians who can work effectively in the African environment. Projections for fiscal year 1960 indicate a need for about 100 new technicians and over 120 contract technicians for the African program. It is estimated that there will be a total of about 650 contract and ICA-employed technicians in Africa at the end of this year compared with a total of 450 at the end of 1958.

In general, the technical cooperation program proposed will continue to contribute toward helping the Africans raise their living standards and giving hope to individuals for whom the outlook would otherwise be bleak.

#### *Conclusion*

Africa is the last of the great continents where the drive for self-government is a dominant force. This force is growing in momentum but it brings with it grave problems of political and economic disruption. Support and assistance from the United States, through the mutual security program, can bring to this movement a stabilizing influence which will stave off extremist solutions and help ease the tensions which endanger the United States and the free world. In this way the mutual security program as proposed for fiscal year 1960 directly meets the interests of the United States and strengthens the free world community of nations.

In view of this, we cannot face with equanimity the prospect that there might be a reduction in the amounts we have requested for economic programs in Africa in fiscal year 1960. The stakes in this vast continent are great and, under the best of circumstances, it would be difficult to guarantee the achievement of U.S. objectives with the sums now requested. It must be borne in mind that these programs were formulated many months ago and that changes are taking place on the African Continent with almost unbelievable rapidity. Without exception, these changes have intensified the original problems which confronted us.

New countries have been created. Areas now independent or facing independence find that they have underestimated the responsibilities and costs of sovereignty and the depth of the peoples' drive for economic advancement. Stresses and strains are occurring in the fabric of their economies which jeopardize political stability and cause serious adverse reactions on the U.S. position, particularly where we have important strategic bases.

In order that our objectives may be secured, we will without doubt need help in this area over and above our original program plans and we are counting on assistance from the contingency fund. There are distinct limits, however, to the extent to which we may depend upon this source, in view of the very many worldwide claims upon it which are anticipated. We therefore could not hope to offset cuts made on our planned economic programs by a resort to this fund and, if such cuts were made, I believe it would mean premature and wasteful termination of many individual country projects as well as a serious slowdown in programs generally.

The effect of this on our objectives would not be open to doubt. In addition to the danger to our present position, such action would create a vacuum in many areas. Nature abhors a vacuum, but the Soviet bloc profits from them.

#### CASH LOAN TO MOROCCO IN 1959

Mr. MURPHY. Mr. Chairman, may I be sure I have not misled Senator Ellender, I want to say in the fiscal year 1959 when the program was getting underway there was a ——— dollar cash loan made to Morocco which is repayable in U.S. dollars and on which these types of controls you are talking about had not been put.

Senator ELLENDER. Was that under DLF?

Mr. MURPHY. No, sir; it was under special assistance, Senator.

Senator ELLENDER. That was handled through the State Department?

Mr. MURPHY. No, sir; it was handled through ICA in the same fashion.

Senator ELLENDER. How is that money being paid back?

Mr. MURPHY. It will be paid back in U.S. dollars, with interest.

Mr. SATTERTHWAIT. Thank you, Mr. Chairman.

#### INTERNATIONAL DEVELOPMENT ADVISORY BOARD

Chairman HAYDEN. I will insert in the record at this point letters I have received relative to the International Development Advisory Board from Senators Humphrey, Symington, and Wiley.

(The letters referred to follow:)



U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
August 13, 1959.

Hon. CARL HAYDEN,  
Chairman, Committee on Appropriations,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I take this opportunity to urge the Committee on Appropriations to include in the mutual security appropriations bill for 1960 \$100,000 for the International Development Advisory Board.

I thoroughly disagree with the action taken by the House recently regarding this matter. In my opinion that action was neither in accord with what we know about the vagueness and complications surrounding some of the broad aspects of the mutual security program, nor was it in accord with the provisions of the recently passed mutual security authorization bill.

The Board is responsible for advising and consulting the President and/or other executive officers with respect to general or basic policy matters arising in connection with the operation of titles II and III and section 413(b) of title IV of the Mutual Security Act. The Board's duties and responsibilities concern both policy and operations and aim at a better use of the mutual security program in terms of total U.S. foreign policy and more effective implementation of established policy.

I see the role of IDAB as that of a constructive evaluator. It is sufficiently removed from the day-to-day cubicles of mutual security to provide us with a comprehensive view of this very important program.

I am sure the committee will give this matter due consideration, and I am indeed hopeful that the committee will restore to the mutual security appropriations bill the \$100,000 for the International Development Advisory Board.

Enclosed is a statement, prepared by IDAB, explaining its reactivation under Executive Order 10803 (February 2, 1959) and setting forth the names and occupations of the 13 members and the duties of the Board. I respectfully request that my letter, including the Board's statement, be inserted in the record of hearings on appropriations for mutual security.

Sincerely yours,

HUBERT H. HUMPHREY.

#### INTERNATIONAL DEVELOPMENT ADVISORY BOARD

June 30, 1959

The present International Development Advisory Board was constituted in February 1959, the previous Board having become inactive in September 1957 with the expiration of the terms of office of all members. At that time, no steps were taken to reactivate the Board because (1) a change in the directorship of International Cooperation Administration was imminent, (2) a shift of the responsibility for policy direction of the mutual security program was contemplated, (3) it was considered advisable to await Congressional action affecting the mutual security program, particularly the action on separation of the Development Loan Fund from International Cooperation Administration, and (4) it was assumed that these developments would change the nature and emphasis of the Board's responsibilities.

Mr. Harry A. Bullis, chairman of the board of General Mills, Inc., was given an interim appointment as Chairman of the IDAB on August 28, 1958. As soon as his appointment had been confirmed by the Senate (January 28, 1959), the President issued Executive Order 10803 (February 2, 1959) providing for terms of office of IDAB members, then appointed 12 members (February 3, 1959), and the Board became operative, holding its initial meetings on February 3-4, 1959.

The present Board differs significantly from its predecessors in membership, responsibilities and duties. These changes reflect the concentration of policy coordination for Mutual Security in the Department of State, and follow the suggestions of Congress regarding the IDAB as expressed in the Conference Report on the Mutual Security Act of 1958.

Membership: The membership of the Board is more widely representative, both geographically and functionally. Care has been taken to assure representation from broad fields of American economy and society (e.g. business, labor, agriculture, public health, science, education, publishing and investment), in accordance with Congressional suggestion. Executive Order 10803 provides for staggered terms of membership in order to give the Board the continuity and a nucleus of experienced members required for effective operation.

Following are the members of the Board:

Harry A. Bullis, Chairman, former chairman of General Mills, Inc., Minneapolis, Minn.

Richard H. Amberg, publisher, St. Louis Globe-Democrat, St. Louis, Mo.

Payton Anderson, publisher, Macon Telegraph & News, Macon, Ga.

Mrs. Olive Ann Beech, president, Beech Aircraft Corp., Wichita, Kans.

Dr. Lowell T. Coggeshall, dean, Division of Biological Sciences, University of Chicago, Chicago, Ill.

Harvey S. Firestone, Jr., chairman, Firestone Tire & Rubber Co., Akron, Ohio.

Dr. Edwin B. Fred, past president, University of Wisconsin, Madison, Wis.

Leonard B. Jordan, former Governor of Idaho, Boise, Idaho.

Dr. Clark Kerr, chancellor, University of California, Berkeley, Calif.

Allan B. Kline, past president, American Farm Bureau, Western Springs, Ill.

Lloyd A. Mashburn, general president, International Union of Wood, Wire & Metal Lathers, Takoma Park, Md.

Dr. Edward S. Mason, professor of economics, Harvard University, Cambridge, Mass.

Robert W. Purcell, chairman, International Basic Economy Corp., New York, N.Y.

**Responsibilities:** The Board's new level of responsibility is best illustrated by the fact that the Secretary of State, the Under Secretary of State for Economic Affairs, the Acting Director of International Cooperation Administration, the Managing Director of the Development Loan Fund, and the President of the Export-Import Bank participated in the Board's initial meetings. In accordance with its more clearly defined responsibility to offer policy advice on the economic aspects of the mutual security program, including both the Development Loan Fund and the International Cooperation Administration, the Board has been transferred to the Office of the Under Secretary of State and is responsible directly to him.

**Duties:** It is the duty of the present Board to advise and consult with the Under Secretary of State, and with the Directors of International Cooperation Administration and Development Loan Fund, on problems presented to it by the Under Secretary. These assignments concern questions of both policy and operations and aim at a better use of the mutual security program in terms of total U.S. foreign policy, and at a more effective implementation of established policy. The Board's recommendations and findings are submitted to the Under Secretary. In some instances, he might decide to make the Board's reports available to the general public, outside the legislative and executive branch.

Having assumed full operations, the Board is now working on four topics designated by the Under Secretary. In so doing, the Board is utilizing three subcommittees, one of which has an advisory group of specialists (Public Health). All are active and in varying stages of progress. These four assignments indicate areas of concern to the Under Secretary, and, at the same time, they illustrate the kind of tasks with which the Board will have to deal:

1. The accumulation of local currency owned or controlled by the United States. The Chairman of the Subcommittee on Local Currency is Dr. Edward S. Mason. It is recognized that the present accumulation of local currency in a number of countries, and the continuous generation of local currency by mutual security and Public Law 480 operations may create a serious problem. The task of the Board is to analyze the scope and nature of the problem, and to determine what changes in concept, policy, or legal provisions may be required. Recommendations by the Board will concern both policy and procedures.

2. Technical assistance operations: The Board has been asked to evaluate the effectiveness of technical assistance operations in their present form, and to make recommendations that deal with the basic objectives of technical assistance as well as the current operations. The factfinding process will be undertaken jointly with a State-International Cooperation Administration task force, while protecting the Board's independence as to conclusions and evaluations.

3. U.S. activities in the field of international health: The Subcommittee on Public Health, under the chairmanship of Dr. Lowell T. Coggeshall, has been charged with the responsibility of assessing health activities under the mutual security program, and their relationship to other bilateral and multilateral health programs in which the United States participates. On the basis of the findings and suggestions of its subcommittee, the Board will appraise the use of U.S. funds abroad for the purpose of health, and the relation between this and other fields in the interest of a maximum productive balance.

4. Public understanding of mutual security and related U.S. economic activities. The chairman of the Subcommittee on Public Understanding is Richard H. Amberg. The Department of State wishes to assure that the American public receive the information to which they are entitled, and that recently expressed congressional wishes in this direction be met, while at the same time insuring that legislative provisions and Congressional intent regarding propaganda are respected. On the basis of the examination by the subcommittee and its suggestions, the Board will recommend steps, outline measures that might enable the Under Secretary of State to discuss potential requirements with committees and Members of both Houses.

Despite the fact that the Board now has to deal with a working program—and not merely with single assignments as in the past—and that its duties are broad in size and complex in nature, the Board is determined to operate with a staff of minimum size. It expects to be able to do so by relying on the assistance and cooperation by the Department of State, International Cooperation Administration, Development Loan Fund, and executive departments such as Health, Education, and Welfare; leading experts in individual fields will be used as consultants in order to assure the flow of fresh, nongovernmental views in the Board's considerations.

U.S. SENATE,  
COMMITTEE ON ARMED SERVICES,  
August 14, 1959.

HON. CARL HAYDEN,  
Chairman, Senate Appropriations Committee,  
U.S. Senate, Washington, D.C.

DEAR SENATOR CARL: The mutual security appropriations bill (H.R. 8385) now before your committee deals with a number of items of vital concern to our national security.

Every year the United States invests a substantial amount of money in our friends and allies abroad; and we all know that this money should be spent in the best interests of our Nation.

To this end, I believe the best minds of our country should be available as advisers and consultants on the management of our foreign aid programs.

An example of the wise use of experienced men in an advisory capacity would seem to be the International Development Advisory Board.

This 13-man Board is presently headed by Mr. Henry A. Bullis of Minnesota, chairman of the board of General Mills, Inc. It is composed of distinguished leaders from the world of education, business, labor, and publishing. They perform a valuable service in studying and reporting on ways of improving many facets of our overseas assistance program.

On February 2, 1959, the International Development Advisory Board was reactivated by the President by Executive Order No. 10803.

The sum of \$100,000 has been requested by the President for the fiscal year 1960 operations of the Board, but that amount was deleted from the appropriations bill reported to the Senate.

May I respectfully urge that it be restored so as to assure continuation of the important work of the International Development Advisory Board.

Sincerely,

STUART SYMINGTON.

U.S. SENATE,  
August 4, 1959.

HON. CARL HAYDEN,  
U.S. Senate, Senate Office Building,  
Washington, D.C.

DEAR CARL: The appropriations bill for mutual security (H.R. 8385) which passed the House of Representatives on July 24, 1959, has deleted the provision for \$100,000—providing funds for the International Development Advisory Board—as outlined in Public Law 86-108, the authorization bill for mutual security.

On page 10 of the report No. 712 on H.R. 8385, the committee states: "Specifically denied by the committee are funds in the amount of \$100,000 for the International Development Advisory Board."

The work of the Advisory Board in seeking improvements in our foreign aid and technical assistance programs is of the greatest moment to the long-range interests of U.S. foreign policy. The Congress has previously consented to this Board. The Congress now can provide these minimal funds.

I hope that when this bill is considered by the Senate Appropriations Committee, the \$100,000 requested for the International Development Advisory Board will be included in the bill as reported.

With all good wishes, I am

Sincerely yours,

ALEXANDER WILEY.

COMMITTEE RECESS

Chairman HAYDEN. Thank you, gentlemen, for your appearance.

We will adjourn until 10:30 tomorrow morning.

(Thereupon, at 12:25 p.m., Wednesday, August 12, 1959, the committee was recessed, to reconvene at 10:30 a.m., Thursday, August 13, 1959.)



# MUTUAL SECURITY APPROPRIATIONS FOR 1960

THURSDAY, AUGUST 13, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden, chairman of the committee, presiding.

Present: Chairman Hayden, Senators Ellender, McGee, Dworshak, and Allott.

## MUTUAL SECURITY

### NEAR EASTERN AND SOUTH ASIAN AFFAIRS

STATEMENTS OF HON. PARKER T. HART, DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS; HON. JAMES W. RIDDLEBERGER, DIRECTOR, INTERNATIONAL COOPERATION ADMINISTRATION; LELAND BARROWS, REGIONAL DIRECTOR, OFFICE OF NEAR EAST AND SOUTH ASIAN OPERATIONS, INTERNATIONAL COOPERATION ADMINISTRATION; REAR ADM. E. B. GRANTHAM, JR., USN, DIRECTOR, NEAR EAST, SOUTH ASIA, AND AFRICAN REGION, DEPARTMENT OF DEFENSE; ACCOMPANIED BY J. E. MURPHY, INSPECTOR GENERAL AND COMPTROLLER, MUTUAL SECURITY; L. WADE LATHERAM, DIRECTOR, OFFICE OF NEAR EASTERN, SOUTH ASIAN REGIONAL AFFAIRS; VINCENT SHERRY, PROGRAM OFFICER, DEPARTMENT OF STATE; ALBERT E. FARWELL, ACTING DEPUTY REGIONAL DIRECTOR, OFFICE OF NEAR EAST AND SOUTH ASIA OPERATIONS; W. CARTER IDE, PROGRAM OFFICER, NEAR EAST AND SOUTH ASIA PROGRAM STAFF; C. HERBERT REES, PROGRAM OFFICER, OFFICE OF THE DEPUTY DIRECTOR FOR PROGRAM AND PLANNING; EDWARD F. TENNANT, ACTING ASSISTANT DEPUTY DIRECTOR-CONTROLLER, INTERNATIONAL COOPERATION ADMINISTRATION; CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY FOR MILITARY ASSISTANCE PROGRAMS, OASD/ISA; BRIG. GEN. JAMES H. POLK, USA, DIRECTOR, OFFICE OF PLANNING; MONROE LEIGH, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS; COL. EDWIN V. SUTHERLAND, USA, NEAR EAST, SOUTH ASIA, AND AFRICA REGION; MARKLEY SHAW, ISA COMPTROLLER; COL. VICTOR H. KING, USAF, DEFENSE COORDINATOR FOR MSP CONGRESSIONAL PRESENTATION, ISA, DEPARTMENT OF DEFENSE.

## GENERAL STATEMENT

Chairman HAYDEN. The committee will please be in order.

The first witness this morning is Mr. Parker T. Hart, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs.

Mr. Secretary, do you have a prepared statement?

Mr. HART. Yes, I do.

Chairman HAYDEN. It may all be included in the record and you may file it or read it, as you please.

Mr. HART. I would like to read it, sir.

Chairman HAYDEN. All right, you may proceed.

Mr. HART. Mr. Chairman and members of the committee, my colleagues from the International Cooperation Administration and the Department of Defense, and I, are appearing before you today in support of the proposed fiscal year 1960 mutual security program for the Near East and south Asia.

We believe that the mutual security program is of vital importance to the foreign policy interests of the United States in this area.

My colleagues have statements which they should like, with your permission, to insert for the record. It is my purpose to supplement their statements with some general comments.

It might be fruitful to review briefly the foreign policy objectives of the United States in the Near East and south Asia, the more significant happenings of the last year in relation to those interests, and in broad terms the need for mutual security funds for this fiscal year in support of our objectives.

## FULL AMOUNT REQUESTED NECESSARY

The presentation before you represents the minimum amounts which the administration believed to be necessary to further U.S. purposes in this part of the world. The reductions which have already been affected in the administration bill will have serious implications.

Therefore, it is imperative that the full amount of the funds authorized be appropriated.

This committee is already familiar with the fundamental facts about the area. It is, therefore, unnecessary to review the history, the culture, and the economic and social problems of its people, or to set forth reasons for the deep interest of the free world in their welfare.

Its people are demanding change and improvement. This is the spirit of the times and no government of the area can afford not to produce in response to this demand. To fail is to court political suicide.

Nor can any government of the area accomplish what is demanded of it without outside help.

## IMPEDIMENTS TO PROGRESS

Progress, moreover, is frustrated by various roadblocks; inadequate resources, deep political and social problems, the threat of internal subversion and external aggression; and the existence of deep-seated conflicts between groups or between countries.

In the face of these obstacles, stability is essential if peoples are to be content to seek progress in an evolutionary rather than a violent revolutionary manner.

## OBJECTIVES OF PROGRAM

Our objectives are, therefore:

First, to support the development of strong and independent nations able, willing, and possessing a clear self-interest in resisting the subversive efforts of international communism;

Second, to contribute, if requested by the nations of the area, to their security, recognizing that in a broad sense their security is our security;

Third, to assist and encourage the countries of the area to resolve their disputes in accordance with the principles of the Charter of the United Nations;

Fourth, to contribute to the economic progress and development of the nations of the Near East and South Asia, with the ultimate goal of enabling these nations to attain self-sustaining growth.

If the achievement of these objectives is inherently difficult owing to the problems I have mentioned within the area, it is rendered far more so by the continuing pressures of the Sino-Soviet bloc and the machinations of international communism.

## SUMMARY OF EVENTS IN AREA

In this context I would like to summarize the major events of the Near East and South Asia during the past year:

Last summer the United States responded to the urgent pleas of the duly constituted Government of Lebanon and dispatched U.S. forces to that country. Internal tensions and pressures aggravated by external interference had resulted in a situation threatening the continued independence and integrity of that nation.

The action taken by the United States, coupled with the additional assistance we were able to provide under the mutual security program, demonstrated our readiness to help Middle Eastern countries maintain their independence. It demonstrated as well our ability to act promptly, decisively, but judiciously, to implement our policies.

The United Kingdom responded to a similar request from the Kingdom of Jordan and on our part the United States was enabled to assist that country through the mutual security program.

The action taken achieved the objective of assisting the governments to restore peace and stability.

Iraq, last July, experienced a revolutionary coup d'etat and a resultant new regime. That government has just completed its first year in office.

Our objective continues to be to maintain friendly relations with the Government of Iraq, as with all Near Eastern countries.

The Arab Union of Iraq and Jordan, formed in the late spring of last year, was terminated with the coup d'etat in Iraq. Partly as a result of the response by the United Kingdom and the United States to the Jordan Government's request for assistance, the succeeding months have seen a restoration of general calm in the latter country.

We have been most pleased with the recent visit to the United States of His Majesty, King Hussein.

Continued stability in Jordan is important to area and world peace.



During the year the United Arab Republic, which was formed early last year by the union of Syria and Egypt, has been actively concerned with the serious problems of its underdeveloped economy.

I am glad to report that progress has been made in the normalization of relations between ourselves and the United Arab Republic.

Sudan is another country which, during the year, underwent a change in political regime through a military coup d'etat, though the change was a peaceful one.

The nation faces serious economic problems which stem in large part from its heavy reliance on cotton, its principal foreign exchange earner.

We continue to be interested in helping the new regime in its efforts toward the development of a balanced, diversified, and prosperous economy.

In the Arabian Peninsula our diplomatic representation to Yemen was rendered more effective by the establishment there, for the first time, of a resident legation, headed by an Arabic-speaking chargé. Our Ambassador to the United Arab Republic presented his credentials to the Imam on March 4 as Minister to Yemen. Early this year we responded promptly, and with salutary effect, to an emergency request from that nation for wheat to relieve famine.

I should also like to note that Saudi Arabia, with whom we continue to maintain close and important relations, made progress in internal financial reform.

Israel made significant progress during the year in carrying forward its dynamic internal development program.

Unfortunately, many of the basic problems of the Near East which lead to instability in the area remain unresolved. This is particularly the case with respect to Arab-Israeli tensions and the related plight of the Palestine Arab refugees.

A heartening development for free world interests in the area has been the increasing recognition of the threat of international communism to national independence and integrity.

#### COLLECTIVE SECURITY

There have been developments in those countries of the area which are associated with the free world under the principle of collective security: Greece and Turkey, which are members of NATO.

Pakistan, which is associated with us in SEATO.

Turkey, Iran, and Pakistan which are the Middle Eastern members of the Baghdad Pact to which the United States gives strong support.

You will recall that Iraq was formerly a member of the Baghdad Pact, but became inactive in that organization following last July's coup d'etat; and on March 24 of this year Iraq officially withdrew from the pact.

You will also recall that last July the Baghdad Pact Council of Ministers, meeting in London after the change in regime in Iraq, joined in a declaration reaffirming the determination of the represented countries to cooperate in security and defense.

## U.S. AGREEMENTS

The United States at that time reaffirmed its support for this principle.

On March 5, 1959, the United States, acting on the basis of the Middle East resolution and the Mutual Security Act, entered into bilateral agreements with Turkey, Iran, and Pakistan to further emphasize its support for the efforts of the regional members of the pact to build internal economic strength and defense against the threat of aggression.

Progress has been made not only in the development of the concept of collective security, but in building a community of economic interest among these countries.

We wholeheartedly support regional economic activities which strengthen the pact and thus the member states.

During the year Turkey, with the cooperation and joint efforts of her free-world friends, initiated an economic-stabilization program. It continues to strive for a strengthened economy while carrying a very heavy military burden.

Even with its substantial oil revenues Iran has many problems as it struggles to improve the pace of its economic development while maintaining forces essential to security and defense.

The Soviet Union has, in recent months, subjected Iran to a massive and vicious radio propaganda campaign.

Last October a new government came to power in Pakistan through a peaceful military coup d'etat. That government is committed to the earliest practical reestablishment of constitutional and representative government.

In the meantime it has embarked upon measures intended to stabilize the Nation, make widespread reforms, and develop its economy in the face of difficult and perplexing obstacles.

Greece remains a staunch free-world ally and member of NATO. Yet it continues to have problems related to maintenance of its hard-won strength and independence.

A particularly noteworthy development in this part of the world during the past year was the coming of peace to Cyprus. This achievement is the direct result of extraordinary statesmanship demonstrated by Greece, Turkey, the United Kingdom, and the representatives of the people of this troubled island.

## SOUTH ASIA

In South Asia there have also been significant developments during the year. India, as you are aware, has been faced with serious economic difficulties largely resulting from its efforts to achieve an acceptable pace of economic growth.

Twice during the year, under the auspices of the International Bank for Reconstruction and Development, some of the more fortunate free-world countries met to marshal resources to assist India in meeting its financial problems.

Heartening progress was made, also with the assistance of the International Bank for Reconstruction and Development, on the very important question of the Indus waters dispute between India and Pakistan.

It would certainly be in the interest of the United States at the appropriate time to lend its assistance in the implementation of any agreed-upon resolution of this serious problem.

Ceylon is another nation in the south Asian area whose well-being continues to be very much in our interest. That country has had and still has internal problems which impinge heavily on its economic health.

I should like to call your attention to the fact that Nepal has completed its first nationwide election under universal adult suffrage, and a government has been installed. Elections were conducted under a constitution promulgated last February 12 providing for a constitutional monarchy under a parliamentary system. The United States, demonstrating its interest in this important nation, has announced agreement with the Government of Nepal to open an Embassy in Katmandu.

During the year the United States continued to assist Afghanistan to move forward in the face of severe internal economic problems.

It is particularly significant that the Soviet Bloc continues to concentrate heavily in the economic field in Afghanistan, Nepal, and India.

A noteworthy development, evident in Turkey and India, has been the demonstrated willingness of the free world community of nations to marshal resources on a multilateral basis to assist a member of the community in economic distress.

I should like to note also that the events and lessons of Tibet have had a tremendous impact in south and southeast Asia. The peoples of the region have reacted vigorously to the brutal suppression of the religion and the way of life of the Tibetan people.

#### NEED FOR MUTUAL SECURITY FUNDS

The mutual security program has been and continues to be a major instrumentality in the achievement of our foreign policy objectives in the area. It was of major significance in furthering our interests during the past year.

The proposals for this year, which were incorporated in the presentation books, before you, were conceived after careful evaluation, and represent what we believed to be the minimum requirements for successful achievement of U.S. objectives. Final determination of country programs within each of the appropriation categories must await passage of the appropriation act.

Nevertheless, it is evident that we cannot carry forward with full funding the programs now before you in view of the reductions already effected in the authorization act. Our interests will be further adversely affected if the full amounts authorized are not appropriated.

As you will note, we had contemplated a need for some \$242 million of defense support funds for the four countries of this area—Greece, Iran, Pakistan, and Turkey—associated with us in collective security arrangements.

As I have already indicated, each of these countries is facing economic problems while striving to maintain adequate defense forces and achieve an acceptable rate of economic growth. The funds proposed for each of them were believed minimal to the requirement in each individual situation. Yet it is clear that appropriation of defense

support funds to the full amount authorized will still entail reduction in the contemplated program for some or all of these countries.

#### RELATION OF MILITARY ASSISTANCE AND DEFENSE SUPPORT

As I will note later, there must of necessity be some reduction in the military assistance originally proposed for these same countries. It might be assumed that smaller military assistance programs would call for smaller defense support programs. In fact, however, there is no necessary direct relationship between these programs.

Defense support funds are required in the context of a need for a firm, economic base in a country if it is to participate effectively in defense against the threat of aggression.

We had proposed military assistance for this area of \$412 million. The reductions made in the Authorization Act will have their impact upon the programs in this area, and the adverse effects will be further exacerbated should the appropriation be below the authorized amount.

We feel it imperative that we continue to provide military assistance to countries of the Near East and south Asia on a planned basis consistent with our mutual interest in a sound defense. The reductions already effected will quite evidently require downward adjustment in programs. Yet we believe it to be clearly in our own interests as well as those of the countries being aided to assist them in further improvement of their defensive capabilities.

#### SPECIAL ASSISTANCE PROGRAM

We had proposed \$80 million for special assistance programs in Nepal, Afghanistan, Jordan, and the Sudan, and to provide funding for regional programs as well as for a supplemental U.S. contribution to the United Nations Emergency Force in the Middle East.

These special assistance programs vary in their immediate purpose but all share the general objective of helping to prevent economic and political instability harmful to U.S. interests.

It will not be possible, however, to meet fully these requirements since these programs will have to share in the reductions made in our initial request for special assistance funds.

#### TECHNICAL ASSISTANCE PROGRAM

We continue to feel that the technical assistance program represents one of the most effective investments of this Government in the economic development of the underdeveloped nations, and particularly those of the area with which I am concerned. Certainly the need for training human resources is evident.

Relatively small increases in some technical assistance programs for this region are contemplated for the current year. Should the funds authorized for this purpose be appropriated, we will carry forward this most important contribution to the development of the Near East and south Asia.

#### REFUGEE PROBLEMS

You will note that we are also proposing \$25 million for the relief and rehabilitation of Palestine refugees.

For the fiscal year 1959, while this amount of money was appropriated, 15 percent was set aside, as required, to be used solely for the resettlement or repatriation of refugees.

The Mutual Security Act, while again authorizing an appropriation of \$25 million, requires this year a reservation of 10 percent of the funds appropriated for the above purposes.

We continue to seek through the United Nations a resolution of the basic problem of which the refugees are the victims. In the absence of a resolution of this problem, progress toward the resettlement or repatriation of refugees is difficult.

It is imperative, however, that while seeking permanent solutions we not permit the welfare of the refugees to suffer through inadequate funds for their relief and rehabilitation.

In order to make an adequate contribution for this latter purpose, it is essential that the full amount of the funds authorized be appropriated.

#### FUNDS SET ASIDE FOR REFUGEE PROGRAM

Chairman HAYDEN. May I inquire: Was any of the 15 percent, which was set aside last year, expended?

Mr. MURPHY. No, sir; it was not. It was not obligated, sir.

Chairman HAYDEN. That will probably be true of the 10 percent proposed to be set aside?

Mr. MURPHY. I would think, Senator Hayden, that the executive branch will have considerable difficulty in 1960 in using up the 10 percent for this purpose and we may well have a repetition of the picture.

Senator HAYDEN. "To be used only for the resettlement and repatriation of refugees."

Were there no repatriations and no refugees? Is that the reason why you could not spend the money?

Mr. MURPHY. It is to be used only for the repatriation or resettlement of the refugees. It was not possible to arrange any repatriation. So none of the funds were used.

Mr. HART. Shall I continue, sir?

Chairman HAYDEN. Yes.

#### NEED FOR CONTINGENCY FUNDS

Mr. HART. While not specifically set forth in the presentation books before you, we believe that the history of this part of the world has demonstrated a special need for adequate contingency funds. The events of the past year, for example, in Lebanon and Jordan, have again demonstrated the difficulty of predicting precisely in advance funding needs that must be filled in furtherance of U.S. objectives.

We urge that the full amount of the authorized contingency funds be appropriated to insure that funds will be available to meet changing situations.

Finally, I should like to note the importance of the Development Loan Fund. Future stability in this area is heavily dependent upon an adequate rate of economic growth. The Development Loan Fund is already making a major contribution to this objective.

I have not discussed other resources which are available for the furtherance of our foreign policy objectives and for improved welfare of the people of this area.

The program before you has been carefully developed, however, with these other resources, such as surplus agricultural commodities, facilities of the Export-Import Bank, private investment, clearly in mind.

To summarize, there have been many significant events in the Near East and south Asia during the past year. In these developments I believe that the mutual security program has played a vital part in the furthering of our foreign policy interests. The problems we and the countries of the area face are complex and continuing.

In the final analysis their basic solution must come from within the area itself, but it is essential that for some time to come we provide help and encouragement through the mutual security program.

We urge appropriate funding to this end.

(Prepared statements were submitted for the record as follows:)

STATEMENT OF REAR ADM. E. B. GRANTHAM, JR., USN, DIRECTOR, NEAR EAST, SOUTH ASIA, AND AFRICA REGION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS), DEPARTMENT OF DEFENSE

#### NEAR EAST AND SOUTH ASIA

Mr. Chairman and members of the committee, I am here for the purpose of discussing our military assistance programs in the Near East-south Asia region.

The countries of this great area are extremely variegated in terrain, language, culture, tradition. They are also widely diverse in their levels of economic and political development. Some of them are practically destitute of natural resources; others are very rich in those things an industrialized economy requires.

In one respect they share a common importance: Together they make up the land bridge between Europe and the Far East, and together they dominate the major sea, air, and land routes between East and West.

The Near East-south Asia region confronts the menace of Communist Russia on one northern flank and Red China on the other. Iran and Turkey have long common borders with Soviet Russia, the only free world nations associated in collective security arrangements so situated. Greece has Communist satellite Bulgaria on one flank and Albania on the other. Pakistan guards historic land approaches to the Indian subcontinent. The strategic importance of this whole region from the point of view of its geography, as well as its human and economic resources, has been forcefully brought to world attention by recent events.

It is a region which the free world cannot allow to fall under effective Communist domination.

With four countries of this region—Greece, Turkey, Iran, and Pakistan—the United States has concluded bilateral mutual defense assistance agreements. We have a special agreement with Saudi Arabia regarding our use of facilities there. With the first two—Greece and Turkey—we are additionally associated in the North Atlantic Treaty Organization. Special ties with Turkey, Iran, and Pakistan exist by virtue of U.S. association with, and contribution to, the activities of the Baghdad Pact organization. With Pakistan the United States is additionally associated in the Southeast Asia Treaty Organization.

On March 5 of this year our Government signed new bilateral agreements with these three countries reaffirming our adherence to the principle of cooperation in common defense and economic development.

Greece, Turkey, Iran, and Pakistan—allies allied with us against the common danger—together have more than 1 million men under arms; and the total of their own national defense expenditures has averaged over \$900 million per year during the past 8 years. During the same period we have furnished them military assistance at about \$400 million per year.

The vital part played by military assistance in helping to save Greece from falling victim to Communist expansion in the early post-World War II years is too well known to require emphasis. Under less dramatic circumstances, military assistance has contributed indispensably to preserving the will to independence of other countries of the area as well as providing them the physical means to back up their determination.

Had it not been for the military hardware provided and the operational effectiveness achieved with the help of our military assistance program, I cannot believe that Iran, Turkey, and Pakistan would have been either willing or able, so firmly and courageously, to stand up to the unrelenting Communist pressure.

The recent step-up of Soviet bloc activities throughout the area provides a measure of the importance accorded this region in Communist plans. Loss of the area to international communism would have the gravest consequences for the security of the United States and its allies.

In addition to their substantial efforts at economic penetration, the bloc in recent years has undertaken an aggressive program of military assistance calculated to deepen the Communist foothold and increase its influence.

Since you have previously heard testimony regarding the major political events and developments throughout this region, I shall confine myself to coverage of military assistance activities there.

You will note by reference to page 1 of the green presentation book that we have requested a total of \$412 million for the Near East-south Asia region for fiscal year 1960. You will also note from the bar graphs on page 2 that the trend in military assistance is generally down, from \$521 million total for the region in fiscal year 1958, to \$421 million in fiscal year 1959, to the \$412 million proposed for fiscal year 1960.

This downward trend by no means indicates a diminution of our interest in the area. Taken in conjunction with the \$3.2 billion of military assistance which we have thus far delivered to the countries of the region, the materiel and services to be provided by the fiscal year 1960 program will add very essential elements of power to the respectable allied military capability we have helped to create, and upon which it is now possible to build with increased selectivity.

#### COUNTRY PROGRAMS

Political repercussions of the July 1958 coup in Iraq were widespread in the Near East-south Asia region. The effect of this event and the simultaneous crisis in Lebanon upon our military assistance operation was significant.

#### IRAQ

Immediately after the coup in Iraq all movement of programed materiel was suspended, except for the subsequent delivery of three small shipments of spare parts which were on the high seas when the revolution occurred.

On May 30, the Government of Iraq informed the U.S. Embassy that the basic military assistance agreement of April 21, 1954, together with several other agreements, were considered inconsistent with its new policy, and that it therefore considered them terminated.

#### LEBANON

In July 1958 the Government of Lebanon, unable to stem the spreading disorders in the country, requested our assistance. In response, the United States landed forces. Their presence served to stabilize the local situation, and even more important, indicated we were prepared to act vigorously to halt the apparent areawide deterioration. This operation was funded out of military departmental resources. No specific request for funds for Lebanon in fiscal year 1960 is being submitted, although a small requirement may subsequently develop.

#### IRAN

The revolution in Iraq subjected Iran to immediate and strong pressures. Not only did she feel threatened by the situation in Iraq, but she promptly became the target of increased diplomatic and propaganda attacks from the U.S.S.R. The United States, recognizing the need to reassure and encourage here, took urgent diplomatic measures to that end, and at the same time initiated action to improve Iran's defensive capability by the accelerated delivery of already programed military materiel. Joint consultations between the Iranian General Staff and our Military Assistance Advisory Group resulted in the preparation of a comprehensive plan, designed to improve the organization and training of her forces. Host country implementation of the plan has been energetic and purposeful and the operational capability of the Iranian forces has been significantly

improved. During the coming year the military assistance program will continue to contribute to improvement of her defensive potential.

#### JORDAN

Jordan likewise suffered immediate repercussions from the change in regime in Iraq. The United States promptly came to Jordan's assistance to maintain its international security and integrity.

Subsequently, the Department of Defense, on request of the Jordanian Government, conducted a survey of her military establishment. Certain recommended courses of action growing out of this survey are already being implemented by the Jordanian Army. The requirements of her armed forces, as developed and defined in the survey report, provide the basis for a modest military materiel assistance program now under refinement.

#### TURKEY

The Iraqi coup also gave Turkey grave cause for concern. The Soviets sought to capitalize on the situation by staging extensive maneuvers on the Turkish frontier, and intensifying their propaganda attacks.

Our military assistance program for Turkey in fiscal year 1960 is directed toward assisting her to improve and maintain her active forces.

#### GREECE

Our military assistance activities in Greece during fiscal year 1959 were not directly affected by events further east. In the proposed fiscal year 1960 program we are placing high priority on force modernization.

#### PAKISTAN

The fiscal year 1959 military assistance program for Pakistan was pursuant to the Mutual Defense Assistance Agreement, signed in 1954, with the Government of Pakistan. By the terms of this agreement the United States undertook to provide military assistance to the Pakistan armed forces.

By the terms of the bilateral agreement between the United States and the Pakistanis signed on March 5 of this year the United States reaffirms its intention, subject to congressional appropriations, to continue to furnish Pakistan such military assistance as may be mutually agreed upon in furtherance of promoting peace and stability in the Middle East.

In this connection during the past year, the Department of Defense, in conjunction with the Government of Pakistan, conducted a study of the present and prospective recurring costs involved in the support of Pakistan's military establishment. The implications of this study were considered in the development of the fiscal year 1959 program as it was finally approved, and in the formulation of the fiscal year 1960 program.

The program we propose for Pakistan for fiscal year 1960 provides necessary force maintenance and meets only high priority force improvement requirements.

#### SAUDI ARABIA

Saudi Arabia's importance to us lies in its strategic location, its oil resources, and in our operational requirements at Dhahran Airfield. We do not expect her to develop armed forces which could contribute effectively to allied operations. Saudi Arabia has concluded both a reimbursable military assistance agreement with the United States and a special agreement relating to our use of facilities there.

Under the provisions of the grant aid agreement signed in 1957 the United States agreed to expand its training activities (initiated in 1952) and to provide military assistance, over a 5-year period. The fiscal year 1960 program which we propose is modest and in consonance with our agreements with the Saudi Arabian Government.

#### RECAPITULATION

To recapitulate, our proposed fiscal year 1960 military assistance program for the Near East-south Asia region, for which we are requesting \$412 million, accentuates force improvement rather than force maintenance, our purpose being not only to hold the ground already gained in the creation and basic equipping



of necessary forces, but, in addition, to provide, in certain countries, modern weapons and training, considered vital for improvement of the recipient nations' military posture in the face of increasing enemy potentialities.

STATEMENT OF MR. LELAND BARROWS, REGIONAL DIRECTOR, OFFICE OF NEAR EAST AND SOUTH ASIA OPERATIONS, INTERNATIONAL COOPERATION ADMINISTRATION

Mr. Chairman and members of the committee, the committee has heard from previous witnesses testimony with respect to the considerations of national policy which underlie the provision of mutual security assistance. The House and Senate of the United States have concurred that these considerations justify such assistance, and have authorized the appropriation of \$3,556 million to support the mutual security program in fiscal year 1960. My purpose is to discuss the nonmilitary aspects of the mutual security program in one of the most critical areas in the world—the Near East and south Asia, why we believe the aid levels originally proposed for this area to be austere, and why we believe that any further reduction below the levels already authorized would have serious adverse effects on U.S. interests.

The sums initially proposed for ICA-administered economic assistance in fiscal year 1960 to the Near East and south Asia region totaled \$397 million in comparison with approved programs of \$362 million for fiscal year 1959. The \$397 million for fiscal year 1960 represented increases over the preceding year of about 20 percent each in defense support and technical cooperation assistance, and a decrease of about 20 percent in special assistance. These proposals, which are set forth in the presentation books before you, were the end product of a careful analysis of country requests, and represent what we considered to be the minimum requirements for successful achievement of U.S. aims in the critical Near East and south Asia area.

The total amount authorized for appropriation is substantially below the original request, and it will, of course, be necessary to modify the country programs described in the presentation documents. Final determination of country programs within each of the appropriation accounts must await passage of the Appropriations Act. The reductions already effected in the Authorization Act will impair the effectiveness of the program; any further reduction, below the full amount authorized, could have serious repercussions, economic, military, and political.

Economic assistance programs to be financed from these funds are proposed for 12 countries in the Near East and south Asia region in the fiscal year 1960. In seven countries, the request for 1960 represents an increase over the program authorized in 1959; in five countries, a decrease.

DEFENSE SUPPORT

Programs totaling \$242 million, or about three-fifths of the funds that we request for the Near East and south Asia region in 1960, are in the defense support category, for use in four countries—Greece, Turkey, Iran, and Pakistan. These countries are all associated with the United States and the other nations of the free world in one or more defense pacts, and all require the assistance we propose in this category to support agreed military efforts.

Details of the defense support programs vary somewhat from country to country, and more detail on the individual countries will be provided later in this statement, but certain characteristics are substantially the same in all four countries.

In the first place, defense support assistance to these four countries, as it was in fiscal year 1959 and as proposed for fiscal year 1960, takes the form of non-project aid. That is to say, money or procurement authorizations to provide imported commodities required to meet the needs of the economy arising from the economic demand created by the extraordinary military effort.

The counterpart funds derived from the sale of defense support commodities, whether they are allocated directly to the military budget or not, are used in such a way as to enable the recipient country to carry the burden represented by the defense forces.

While there is a relationship between the defense support program and the program of military assistance, it is not, of course, a direct mathematical rela-

tionship. Some countries need and can make effective use of the weapons, the transport and the other military equipment and supplies provided by the military assistance program without finding that the budgetary burden which they must assume exceeds their financial capacities.

Others, including the four countries in this region which receive defense support assistance, are simply unable to carry the military role they would like to fulfill without aid which cannot be met by military assistance alone. In such cases, therefore, the same U.S. interests which we serve by equipping these countries with military essentials explain our request for defense support assistance.

These programs are justified on this defense basis, but their benefits generally go well beyond this. The programs contribute to the economic well-being of the countries as well.

A minimum criterion for a defense support program is that it prevent economic retrogression; this minimum is clearly essential if it is to be politically and economically possible for the country to maintain its agreed defense contribution. The defense support assistance to meet this minimum economic requirement takes the form of essential imported goods and services. Since these imports are not normally produced at all within the domestic economy and are in no case available in sufficiently quantity, they make a contribution to the functioning of the recipient country's economy significantly greater than the equivalent money value of locally produced goods. A common case is that of an industry requiring imported raw materials, supplies, and spare parts which, if it can obtain these needed imports, can produce an output with a value much greater than the cost of the imports.

Another illustration of the economic significance of these defense support programs stems from the fact that these countries suffer from a considerable degree of chronic unemployment and underemployment. While the armed forces are, of course, not designed as a means of providing employment, it is, nevertheless, true that reductions of those forces would, particularly in the short run, be reflected more in increased unemployment than in increased civilian output.

Thus, in summary, although these defense support programs accomplish exactly what their name suggests, they also yield benefits that go beyond the immediate defense objectives. Although the amounts proposed have been determined as the minimum required to permit the necessary level of defense, reductions in defense support, even if accompanied by equal reductions in the countries' defense expenditures, would, in general, result in short run economic losses as well as a reduced defense capability. A reduction in defense support without a reduction in defense expenditures would mean a reduction in the investment needed to support the defense effort, which would only prolong the period during which external assistance will be required if the country is to play its part in the common defense, or a reduction in consumption which could lead to serious economic or political instability.

The estimates, made at the time the presentation books were prepared, showed unliquidated obligations for these four defense support programs for the end of fiscal year 1959 at \$249.9 million. Developments since then indicate that the amount in the pipeline will probably prove to be substantially less than this. This compares with a pipeline of \$261.6 million at the end of fiscal year 1958. The amount currently in the pipeline represents only about 1 year's program at the level proposed for fiscal year 1960. Given the time required after the beginning of a fiscal year for the appropriation and allotment of funds, the preparation of necessary documentation, and, of course, the actual ordering and delivery of the goods, this level of pipeline approaches the minimum operating level.

The \$242 million proposed for defense support programs for this region is, we firmly believe, the minimum required if Greece, Turkey, Iran, and Pakistan are to be able to maintain a level of economic activity that will enable them to continue to make their agreed contributions to NATO, the Baghdad Pact, and SEATO or, more generally, to the defense of the free world.

#### SPECIAL ASSISTANCE

Whereas defense support is economic assistance which is required in order to secure a specific contribution to the common defense by a country in which U.S. military aid is helping to support significant military forces, special assistance

is provided to countries in which the United States has special interests of a political, economic, or strategic nature, which need our economic help, and where the need for such assistance cannot appropriately or fully be provided under technical cooperation or from the Development Loan Fund. In some instances, their economic difficulties stem from a temporary imbalance brought about by such factors as crop failure or temporary shifts in the terms of trade. In other instances, the roots of the problem go deeper: They may involve security threats over which the country cannot have full control, or political situations which lack the fundamental elements of stability, or the fact that the country is starting at the very bottom of the economic ladder. Virtually all of the possible types of assistance, and reasons for giving special assistance, may be found in the Near East and south Asia area—in programs undertaken in fiscal year 1959 and in proposals now being made for fiscal year 1960. Thus, for example, Afghanistan and Nepal need help for economic development which they cannot expect from other free world sources, and which they could not service if extended on a loan basis. For Jordan, which has been dependent on external help since its creation, outside assistance will continue to be of critical importance. Sudan, faced with continuing depression in world markets for its major export, cotton, has balance-of-payments problems and needs added foreign exchange to pay for required imports.

For fiscal year 1960, the \$71 million in specific proposals for special assistance funds for countries in the Near East and south Asia reflects conservative estimates that tend to minimize the anticipated requirements for the area as a whole. No attempt has been made to provide for every possibility that is presently foreshadowed, and if any number of these should develop it would be necessary to have recourse to contingency funds. The specific funding proposal of \$71 million would permit us to carry out programs in four countries in this area. These include specific development projects in Sudan, Jordan, Afghanistan, and Nepal; assistance to Sudan to finance essential imports; and support for Jordan, absolutely imperative if this critically important country is to be able to meet its normal governmental expenditures. In addition, financing is proposed to provide continuation of an important telecommunications project linking the capitals of the Baghdad Pact nations, as well as a further U.S. contribution to the U.N. Emergency Force in the Middle East.

More details on the programs proposed are contained in the documents submitted to the committee and are provided later in this statement. They are in each instance designed to support a level and a pace of activity which, in our judgment, is critical to political and economic stability.

Pipeline estimates, made at the time the presentation books were prepared, showed unliquidated obligations for these four special assistance programs for the end of fiscal year 1959 at \$56.9 million. (It is noted parenthetically that the total special assistance pipeline for the region is substantially greater than this, including, as it does, noncountry programs and a number of country programs that are not being continued.) This estimate of \$56.9 million is up somewhat from the \$50.5 million at the end of fiscal year 1958, primarily because the new program in Sudan was putting substantial amounts into the pipeline that are just now beginning to flow out in significant quantities. This special assistance pipeline for the four countries combined is less than 1 year's program at present levels; consequently, reductions in pipeline cannot be counted on to meet any significant portion of the need.

#### TECHNICAL COOPERATION

For fiscal year 1960, \$50.6 million is proposed to carry on essential technical cooperation programs for transmission of knowledge, skills, and techniques to improve the capacity of the peoples in the countries of the area to help themselves to solve their own economic and social problems.

Continuing technical cooperation programs are proposed for each of the countries which receive defense support and each country for which special assistance is proposed. In addition to programs for countries for which there is no other economic aid as such, technical cooperation will also support certain regional activities in the area. The details of the program in any given country emerge from the problems which constitute obstacles to furtherance of economic development in that country. The degree of concentration in one field or another varies from country to country, although, reflecting some of the basic common factors which constitute obstacles to development in the area, there is a certain similarity of patterns. In fiscal year 1960, the Near East and south Asia pro-

posals for technical cooperation are keyed to basic needs in education, which will receive nearly one-fourth of the funds proposed, and development of agriculture and natural resources, for which it is proposed to use approximately one-fifth of the funds. Industry and mining projects would take nearly one-sixth of the funding, and programs in transportation, health, and sanitation, and public administration from 4 to 9 percent each or, altogether, a little over one-sixth of the total proposed.

Preliminary figures for fiscal year 1959 indicate that expenditures in that year exceeded new obligations. The present pipeline is only slightly larger than the program being proposed; that is, it is equal to only a little more than 1 year's activity. Given contract, recruiting, and planning problems, this may not be susceptible to significant further compression if technical cooperation programs are to take a reasonably stable course.

#### CONCLUSION

The totals in the specific categories reflect minimum assumptions with respect to funding requirements from these sources. They are keyed to a continuation of availabilities of agricultural surplus commodities for local currency sale under Public Law 480 and, further, to the assumption that other developments will continue at least as favorable as projected. To the extent that the course of events proves less favorable than believed likely at the time that these projections were made, it would be necessary to have recourse to contingency allowances proposed on a worldwide basis, for such additional needs as could not be met under the original projections.

The Near East and south Asia is an arena in which much can be lost or won. It is an area of tension and challenge and the inability to forecast exactly the pattern of economic and political events forms part of the basis of the mutual security program request for contingency funds. Yet, a reduction in programed assistance such as has been proposed by the House of Representatives makes it apparent that any contingency funds would be needed for already known requirements. There would no longer be any reserve to meet the contingent requirements which we know will arise. Within the limitations imposed by human error and inability to forecast all developments, the programs which we have presented represent minimum requirements if U.S. interests are to be served properly.

#### COUNTRIES FOR WHICH DEFENSE SUPPORT IS PROPOSED

##### *Greece*

Economic assistance was given to Greece in the immediate postwar period to overcome the economic dislocation and destruction attributable to the war and to the subsequent period of guerrilla warfare. Since that time Greece has received aid to meet its essential problem of expanding production in order to provide resources for the defense establishment, for the growing population, and to increase the capacity of the economy to sustain itself.

The basic Greek problem is to maintain domestic financial stability while meeting defense commitments and at the same time encouraging a faster rate of economic development to overcome the underemployment of manpower and resources. The long-term balance-of-payments position underscores the importance of encouraging investment and activities likely to contribute directly to an improvement in the external position.

Preliminary estimates indicate the gross national output rose about 5 percent in 1958. There was a reasonably good harvest, and manufacturing and construction expanded rapidly. Rising internal income had resulted in significantly increased demand for both home-produced and imported goods. Exports expanded only slightly. Despite substantial use of European suppliers' credits, there was a \$25 million decrease in hard currency reserves during 1958. This decline in reserves, only recently arrested, extends back to January 1957, and Greek reserves are still below the lowest level reached in 1957. Greece has brought the reserve drop under control by a resumption of restrictions on imports, among other actions. Realistic monetary policy, however, has succeeded in keeping wholesale and retail prices stable.

In fiscal year 1959, \$20 million in defense support was made available to Greece for financing essential imports. The local currency proceeds arising from these sales were used for support of the military budget.

The technical cooperation program for fiscal year 1959 amounted to \$800,000, nearly half of which was to pay for the services of technicians and more than a

fourth to pay for participants. Almost three-fourths of the money was devoted to four fields of activity—public administration, labor, industry, and agricultural and natural resources.

The proposed technical cooperation program for fiscal year 1960 is slightly larger than that being implemented in fiscal year 1959. It is concentrated in the same four fields of activity, but with significant reductions in agriculture and public administration and a sizable increase in the industrial field.

Assuming that surplus agricultural commodities to supplement defense support are available under Public Law 480 if needed during fiscal year 1960 and that domestic output and foreign exchange earnings continue favorable, the level of defense support proposed for fiscal year 1960 should provide the margin that would enable Greece to continue with its defense program and meet its other basic requirements, while controlling any tendency toward inflation. Both objectives would be endangered by a reduction in funds.

Concern to limit the inflationary impact of various proposals intended to increase economic activity in Greece has dictated restraint in using accumulated local currency reflecting earlier additions of resources to the economy. Current accumulations of local currency are closely programed and no significant amounts are expected to remain unutilized at the end of fiscal year 1960.

### *Iran*

Despite its substantial income from proven oil resources, Iran has many problems of development to solve and needs to expand both facilities and basic services and its resources in human skills. The period of domestic disruption which included nationalization of the oil industry culminated in the fall of Mossadeq in August 1953. The recovery of the Iranian economy from the low level reached at that point owes much to the substantial assistance from U.S. aid programs extended at that time. U.S. aid-financed imports of essential commodities helped the Government to meet its obligations and undertake a limited development program. Iran reached agreement with the oil consortium in 1954; since then there has been gradual restoration and increase in Iranian revenues, restoration of foreign exchange reserves, and a new start in 1955 on a long-range development program which is financed by allocations from oil revenues.

Iran is a member of the Baghdad Pact and as such it carries a substantial military burden. Its defense expenditures constitute approximately one-fourth of the budget expenditure of the central government and about 5.7 percent of total resources when related to the gross national product.

Through June 30, 1959, the cumulative total of economic aid to Iran under the mutual security program, including both technical cooperation and defense support, was \$338 million, of which about \$316 million had already been expended. The balance of unliquidated obligations declined by some \$24 million during fiscal year 1959, and now stands at about \$22 million. Defense support proposed for Iran is directly related to the increased cost of supporting an expanded military program.

The technical cooperation program, both directly and through the training opportunities it opens to Iranians, affords a major means of increasing the technical and managerial skills needed for implementing a development program or operating a modern economy. U.S. technicians are concentrating on problems in public administration, both directly and through the operations of programs in other subject fields of activity, such as health, education, and agriculture. This advice and training affords Iran the opportunity to incorporate and adapt American and free world concepts and principles into the planning and operation of their own programs. For activities which concentrate on furnishing technicians, contract services, and participant training, the program obligated \$5 million in fiscal year 1958; obligations totaled about \$5.8 million in fiscal year 1959; and a program of \$6 million is proposed for fiscal year 1960.

### *Pakistan*

Pakistan, created in 1947 from the Muslim majority areas of the Indian subcontinent, is the one country having a membership in both the Baghdad Pact and SEATO. It devotes about one-third of the central government budget expenditure to defense. This approximates about 4 percent of the national product.

The two segments of the country are about 1,000 miles apart by land and 3,000 miles by sea, and contrast sharply in size, population, terrain, climate, and economy. West Pakistan, with 85 percent of the area and 45 percent of the population, has large desert areas and a hot, dry climate. The most pressing

economic problem in Pakistan is the production of enough food to feed a population increasing at the rate of 1.5 percent annually.

There is a scarcity of known natural resources, little coal, iron, or nonferrous minerals. Hydroelectric potentialities and natural gas are being developed, and mineral resources are being explored.

Agriculture now supplies about 90 percent of the foreign exchange earnings of the country. Earnings are insufficient to meet current import needs for production and consumption. Pakistan's food import costs are now equivalent to about one-third of its foreign exchange earnings.

Economic assistance to Pakistan began in 1952. The cumulative total obligated for defense support and technical cooperation through June 30, 1959, was \$496 million, of which \$127 million was not yet expended at that time. Expenditures during fiscal year 1959 were about equal to obligations.

Defense support funds of \$95 million for fiscal year 1959 financed a portion of the gap between Pakistan's export earnings and the imports needed to maintain minimum consumption levels. These funds permitted a continued flow of critical short-supply items, raw materials, intermediates, spare parts, consumption items not locally produced in adequate quantity and essential equipment.

Proposed defense support for fiscal year 1960 would finance imports essential to operation of the economy at existing levels. Pakistan has been substantially helped by sales of agricultural surplus commodities for local currency under Public Law 480, and it is assumed that such supplies will continue to be available.

The technical cooperation program has made the first introduction of modern technology into most sectors of the economy by sending American technicians to Pakistan, providing training in the United States for Pakistanis and supplying demonstration materials and equipment. The planned technical cooperation program for fiscal year 1959 totaled \$5.8 million, compared with \$5.6 million in fiscal year 1958. For fiscal year 1960 a program of \$8.2 million is proposed, with the principal increases being in the fields of industry, health, and education.

MSP grants and sales of agricultural surplus commodities to Pakistan give rise to local currency accounts. The main concern in managing and planning the use of such accounts is to remain within the realistic limits set by the physical situation and by the availability of foreign exchange to supplement available resources. The basic problem in attaining minimum U.S. objectives is still to help Pakistan meet the import program it needs to support its population and to carry on its military and economic programs.

#### *Turkey*

Turkey, as a member of NATO and of the Baghdad Pact, now devotes approximately one-third of the central government budget expenditure to defense. This amounts to 4 to 5 percent of its gross national product. It depends on defense support to maintain the flow of essential imports for which its own earnings are not adequate.

There has been a persistent drive for improvement and development in Turkey and a real increase in output of about 50 percent since 1950. Since the economy is still heavily dependent on agriculture, output is subject to considerable variations. Since 1953, taking into account the average effect on agricultural production of good and bad years, output taken as a whole has barely kept pace with population growth. In the drive for expansion Turkey has exceeded its own resources and grant aid, and has accumulated over \$1.2 billion in foreign debt. This debt, subject of a successful settlement conference in fiscal year 1959, included arrears, public and private international loans, and short-term credits which constituted a heavy proportion of the total.

The economic stabilization program which Turkey undertook in August 1958, along with the de facto devaluation of the Turkish lira, shows promise of halting the serious inflation that has plagued the Turkish economy in recent years. This, along with the settlement reached with Turkish creditors, should provide a sound base for resumption of a satisfactory rate of economic growth.

Postwar economic aid to Turkey began in 1947, when \$5 million was made available to initiate a highway program. Through fiscal year 1959, a cumulative total of \$795 million of economic assistance for defense support, direct forces support, and technical cooperation had been obligated for Turkey under the mutual security program. Estimated expenditures through that date were about \$729 million, leaving an unexpended pipeline of \$66 million. Continued expenditures at the rates now being experienced will result in a re-

duction in the total pipeline of unexpended obligations by the end of fiscal year 1960. Defense support of \$100 million for fiscal year 1959 helped supply the materials, spares, equipment, and parts needed to sustain Turkish production and start the transition required by the stabilization program. Turkey has also received significant help through sales of agricultural surplus commodities for local currencies under Public Law 480 which have helped offset deficits in domestic production and meet requirements. Similar patterns are projected for fiscal year 1960.

The technical cooperation program is intended to help Turkey accelerate the improvement of technical skills needed to plan for and carry on an intensive economic and military effort. Through work in industry, agriculture, education, public administration, and other fields, it seeks to improve public and private management and to increase Turkey's capacity to absorb new skills and to adapt methods to meet the demands placed on a modern state. In fiscal year 1958, \$4.5 million was obligated for these programs; the same amount was obligated in fiscal year 1959; and a similar program is proposed for fiscal year 1960.

The impact of goods and services which Turkey could not otherwise finance meets the primary objective of mutual security program economic aid. MSP dollar grants and sales of agricultural surpluses have resulted in deposits of counterpart and local currency proceeds. Assignments to the military budget to help Turkey meet NATO commitments and economic development purposes are the basic uses of MSP-generated local currency. The basic factor in the determination of the requirement for dollar aid is the need for imports of goods and supplies which Turkey is unable to finance from its own resources. The local currency accumulations cannot serve this purpose.

COUNTRIES FOR WHICH SPECIAL ASSISTANCE AND/OR TECHNICAL COOPERATION  
PROGRAMS ARE PROPOSED

*Afghanistan*

The Afghan economy is about 95 percent agrarian; about one-fourth of the population is occupied in nomadic livestock raising. The average standard of living leaves little margin above subsistence. Government revenues and savings are presently insufficient to finance the investment desired by the Government, which it has pressed onward since 1956. In the last few years Afghanistan has increased its borrowings for development purposes as eagerness for development has outstripped not only capacity for financing but also manpower capabilities and materials available.

U.S. assistance to Afghanistan under the mutual security program began in 1952, initially in the form of a technical cooperation program. The total obligations for technical cooperation to the end of fiscal year 1959 were approximately \$16.2 million, of which \$12.2 million had already been expended. The main objectives of these programs were to train Afghans to work on selected projects in their own development program in the fields of education, agriculture, engineering, transportation, public administration, public health, mining, and rural development. In fiscal year 1959 obligations for technical cooperation were \$3.3 million. The program proposed for fiscal year 1960 is \$3.8 million. The most important components will continue to be projects in education, in agriculture and natural resources, in public administration, and in transportation.

Following negotiations started during the year, development assistance was obligated in fiscal year 1956 for development of air transportation. In fiscal year 1957 development assistance was obligated for work in transportation and education and to enable Afghanistan to continue development work in the Helmand Valley, which it had initiated with its own funds about 20 years ago and for which it had already utilized loans extended by the Eximbank in 1950 and 1954. Cumulative obligations of development assistance totaled about \$49 million by the end of fiscal year 1959. Allowing for expenditures incurred, more than \$28 million remained, representing unliquidated obligations. A major part of this balance was committed for objectives in the field of transportation. Special assistance obligations in fiscal year 1959 totaled \$16.1 million.

Local currency is being generated as the result of a special emergency action in fiscal year 1958 and 1959 to supply wheat under title II of Public Law 480 to offset the effects of shortages in Afghan production which were threatening to create famine in certain areas of the country. This is supplemental to the needs met by MSP and does not substitute for the use of appropriated MSP dollars.

*Ceylon*

The Ceylonese economy is largely dependent on agriculture, which employs about 60 percent of the work force and is highly developed in production of tea, rubber, and coconut products. About two-thirds of the agricultural land is devoted to the export crops, and food accounts for half the imports. The population is growing at nearly 3 percent per year. Thus, a substantial effort would be required merely to keep pace with population growth, even if other factors affecting the availability of resources and the dependence on imports for food did not complicate the matter.

The mutual security program in Ceylon was initiated in fiscal year 1956 following discussions on the nature and content of the activities to be undertaken. Cumulative obligations by the end of fiscal year 1959 totaled \$14 million for technical cooperation and development assistance. Over two-thirds of this is already expended, and a further reduction in the pipeline can be expected as development assistance commitments are expended.

For fiscal year 1959 the technical cooperation program totaled \$1.6 million; an increase to \$1.9 million is proposed for fiscal year 1960. Although Ceylonese foreign exchange earnings characteristically fluctuate from one period to another, Ceylon is now not only short of capital, but subject to severe shortages of skilled personnel in the engineering and mechanical trades and of skilled people for middle-grade supervisory work. The technical cooperation program proposed for fiscal year 1960 will follow lines broadly established; it will give priority to sectors of the economy in agriculture, industry, and transportation for which the Government of Ceylon needs and desires help and for which the United States has the necessary technical resources.

During fiscal year 1958 Ceylon was devastated by serious floods. Assistance made available under title II of Public Law 480 by the shipment of wheat flour and rice is generating local currency sales proceeds which the Government of Ceylon is using for flood relief and rehabilitation. A title I, Public Law 480, program was undertaken in fiscal year 1959 to help meet food import requirements.

*India*

The mutual security program in India has been coordinated with India's own development efforts, beginning with its first 5-year plan of 1951-56, and following with the current second 5-year plan for 1956-61.

The Government of India believes that to maintain national independence, strengthen national unity, insure survival, and further development of their free institutions, it is necessary to raise the material and cultural standards of India's 400 million people. India is, therefore, engaged in a long-term development effort designed to attack the basic economic problems of population pressure, poverty, unemployment, low productivity, ill health, and ignorance. It is hoped this effort will yield significant and timely indications of progress toward realization of reasonable and acceptable popular aspirations.

In the first 5-year plan period (1951-56), during which public and private development expenditure totaled the equivalent of \$7.5 billion, India made significant progress on the economic front.

Since the beginning of the second 5-year plan in April of 1956 the initiatives originating in the first plan have resulted in major strains on the economy which have been reflected most directly in the rapid depletion of foreign exchange reserves. The Government of India has made strenuous efforts to reduce the drain and is cutting back planned development to projects well underway and a hard core of projects considered essential to achieving India's objectives.

India's economic problems reflect both achievements and ambitions. Community development and extension now cover more than half the 550,000 villages. India is building technical schools of engineering, sciences, and agriculture. Power and irrigation projects are underway in every section of the country. The goal desired was to double electric capacity by 1961. Railway capacity is expanding. Three major steel mills now in construction together with private expansion of existing plants will raise finished steel output from 1.3 to 4.3 million tons.

India's second 5-year plan is an early stage in what must be a continuous effort over a long period of time to reach economic levels capable of supporting adequate, continuing self-sustained growth. There are still unresolved problems for India in finding the additional foreign exchange to meet its requirements in the remaining period of the second 5-year plan. The extent of such potential additional requirements cannot be finally determined while India's revisions



in financial plans and adjustments and adaptations to resource capacity are still in process.

U.S. assistance to India has been directly associated with India's own development program. Through fiscal year 1958, the United States made available approximately \$413 million under the MSP technical cooperation and development assistance programs. In the fiscal years 1955-57 period, loans represented three-fourths of the development assistance programs, a total of \$130 million. As of June 30, 1958, cumulative expenditures of technical cooperation and development assistance amounted to \$347 million, leaving a balance of unliquidated obligations of \$59 million. Expenditures during fiscal year 1959 reduced this balance by almost half. The remaining balance of development assistance, for which there were no further appropriations after fiscal year 1957, is now around \$16 million and should be fully utilized by the end of fiscal year 1960. The pipeline of unliquidated technical cooperation obligations was also reduced during fiscal year 1959.

Obligations for technical cooperation in India for fiscal year 1959 totaled \$7.4 million. The program proposed for fiscal year 1960 would include an increase to \$10.5 million to assist India in meeting its need for technical help. The proposed program would continue basic lines of activity which relate to India's own development program. This would mean continued help to expand agricultural research, education, extension, and institutions; to develop education leadership for the needs of the development effort; and to improve technical education, research, and industrial management. These relate directly to India's own objectives of increasing industrial production and productivity and expanding agricultural production.

No special assistance was provided to India in fiscal year 1958 or fiscal year 1959, nor is such aid proposed in fiscal year 1960. During fiscal year 1958, however, the United States signed agreements with India providing loans of \$150 million from the Export-Import Bank and \$75 million from the new Development Loan Fund. Further DLF loans during fiscal year 1959 totaled \$120 million. These credits will finance goods and services in the fields of irrigation and reclamation, power development, mining, transport and communication, and industry.

Significant help has been made available to India in meeting its domestic requirements through sales for local currency of agricultural surplus commodities, mainly wheat, under title I of Public Law 480. It has been assumed that U.S. agricultural surpluses will continue to be available and will be a major help to India in dealing with problems of the financial and food gap.

Local currencies available for programing for economic development in India are expected to be used for essential projects and programs. However, they do not represent new resources increasing the total available to the economy for use, and a crucial factor at this point is foreign exchange. Local currency cannot substitute for the foreign exchange needed to finance food or development imports.

#### *Israel*

U.S. aid to Israel under the mutual security program began in late 1951 under legislation authorizing a program of relief and resettlement for refugees, both for Jewish immigrants and Arabs who had fled to neighboring states after the 1947 hostilities. Cumulative obligations through June 30, 1959, totaled \$301 million. Programs have decreased in magnitude since fiscal year 1955; the amount obligated in fiscal year 1959 was \$7.5 million in special assistance and \$1.6 million in technical cooperation. Cumulative expenditures reached approximately \$208 million by the end of the fiscal year 1959, leaving unliquidated obligations as of June 30, 1959, of only about \$3 million.

The program in Israel is fully coordinated with the development activities of the Government of Israel, and has, during its existence, touched most phases of Israeli life. Current concentration in technical cooperation emphasizes industrial development, commerce and industry; agriculture; transportation; education; and survey work in the development and use of natural resources. Primary attention is devoted to activities which can reduce Israel's dependence upon imports or increase its earnings from exports. Development assistance and special assistance have, in the past, been used to purchase raw materials and heavy equipment for industry, agriculture, transportation, and communications; in the recent past, including fiscal year 1959, such funds have been used to purchase foodstuffs under section 402. The local currency generated by sale of these commodities has been used for internal development projects within the Israeli development budget.

U.S. assistance has been of unquestioned value to Israel in the rehabilitation and development of its economy. Such aid has enabled the purchase of supplies and equipment for development purposes, and of consumption imports which Israel could not otherwise have afforded. The rise in gross national product—from \$818 million in 1951 to \$1,838 million in 1958—attests the vigor of Israel's effort to develop its resources; U.S. aid has been of material assistance.

The proposed fiscal year 1960 technical cooperation program—\$1.6 million—continues the pattern and trend of the recent past, with an increased emphasis on the industrial sector.

#### *Jordan*

From 1951, when the first United States-Jordanian Technical Cooperation Agreement was signed, through fiscal year 1958, cumulative obligations for economic and technical assistance for Jordan totaled approximately \$86.4 million. Fiscal year 1959 obligations of \$43.2 million in special assistance and \$1.9 million in technical cooperation funds increased the total to about \$131.6 million as of June 30, 1959. Cumulative expenditures through fiscal year 1958 totaled approximately \$64 million; the pipeline of unexpended obligations at June 30, 1958, was approximately \$22 million, most of which represented fiscal year 1958 funds. During the past year, there has been a considerable reduction in pipeline, to a figure below \$8 million.

Prior to fiscal year 1957, the United Kingdom provided the principal element of stability in the Jordanian budget by annual contributions, primarily for maintenance of the Jordanian Army, which represented more than half of Jordanian revenues. In January 1957, under the Arab Solidarity Agreement, Egypt, Syria, and Saudi Arabia agreed to provide \$35 million annually to replace the British subsidy, and the agreement in 1946 with Britain was terminated. Following a cabinet crisis in April 1957 and a change in the political complexion of the Government, Egypt and Syria withheld payment and have not, in fact, made any payments to Jordan. Saudi Arabia contributed \$14 million during the Jordanian fiscal year ending March 1958.

Following the spring 1957 crisis in Jordan, the United States made available a grant of \$20 million to enable the Jordanian Government to meet its current payroll and maintain normal operations. Aid for this purpose has been continued in subsequent years.

Jordan's problems are intensified by the presence in the country of over 500,000 Arab refugees. The basic issue in Jordan, as in other countries of the Middle East, is pressure of a growing population on already inadequate resources of land and water.

Economic and technical assistance programs have concentrated on activities that would narrow the disparity between needs and resources and have brought substantial benefit to Jordan. Agricultural research, extension, and credit projects have contributed to an increase in agricultural production and exports, while capital assistance in the development of water resources has extended the ability of the land to support the population. Programs initiated in fiscal year 1958 included provision to start the proposed construction of a diversion structure and canal which will bring water from the Yarmouk River to irrigable land in the Jordan Valley. Other significant activities included road construction—both trunk roads and farm-to-market roads—enabling more effective marketing of farm produce; loans to villages for development of water supplies and construction of schools and clinics; completion of plans for a plant for experimental production of potash from Dead Sea brine; nurse training; and provision of facilities to increase enrollment in two teacher training colleges and the Amman Trade School.

The proposed fiscal year 1960 technical cooperation program calls for a continuation of present activities at about the fiscal year 1959 level.

#### *Lebanon*

The program in Lebanon was initiated in 1952. Through June 30, 1958, some \$37.4 million had been obligated. Fiscal year 1959 aid was increased substantially as a result of the disruption occasioned by the civil strife in Lebanon, giving total obligations at the end of fiscal year 1959 of about \$51.2 million. Cumulative expenditures—approximately \$49 million to date—leave a pipeline of unexpended obligations of about \$2 million.

Counterpart deposits and other set-asides of Lebanon's budgeted Government revenues have been programed for mutually agreed development projects in fields of activity to which technical cooperation has been provided.

U.S. assistance to Lebanon has helped expand transportation facilities such as roads and airports; improve rural standards of living by assisting development of village water supply, low-cost housing, and power transmission; provide assistance to Lebanese agricultural extension and research; and lend technical guidance to Lebanese private industry and to industrial growth through the well-established industry institute, whose services are sought by firms throughout the Levant. Adult education in the field of English-language teaching has represented a significant advance. Earlier activity in health and general education has been reduced or terminated. The total number of projects has declined from 40 in fiscal year 1956 to 11 in the program proposed for fiscal year 1960.

The proposed fiscal year 1960 technical cooperation program of \$1 million represents a further concentration and consolidation of continuing activities.

#### *Nepal*

U.S. assistance to Nepal began in 1951, following the overthrow by Nepal of a hereditary family dictatorship. Initial activity was limited to a small program of technical assistance in agriculture, health, and mining. Since 1951, the Government of Nepal has drafted outlines of economic development, with major emphasis on agricultural and industrial production, expanded transportation and communications, and governmental reforms. U.S. technicians work with Nepalese counterparts in carrying out joint programs—in agriculture, small industry, health, education, transportation, communications, education, and village development.

Cumulative obligations for economic and technical assistance made available to Nepal through fiscal year 1958 totaled \$13.9 million. Obligations in fiscal year 1959 were \$2.6 million. Final figures on expenditures during fiscal year 1959 are not yet available; preliminary estimates, show the pipeline of unexpended obligations as of June 30, 1959, at \$5.7 million.

In addition to these activities, an agreement for regional road development to improve Nepalese communications with India was signed during fiscal year 1958; \$5 million from the President's Fund for Asian Economic Development was obligated for this purpose, and there are Indian contributions of \$1.6 million and Nepalese contributions of \$400,000. A second program to provide a telecommunications link between Nepal and India required obligations of \$1.5 million in Asia economic development funds.

Major obstacles to development in Nepal are the low literacy rate (less than 3 percent), lack of internal roads and communications, lack of trained administrators and technicians, and endemic malaria. Such difficulties complicate and hinder implementation of planned development programs. Despite these problems, the mutual security program has been able to provide technical and economic assistance in significant areas. Obligations have been undertaken to provide the foreign exchange component of the costs for a new ropeway to carry goods from the railhead to the capital of Nepal, following an earlier survey, and construction will begin after the next monsoon season. The road link with India is under construction. Further transportation aid is being provided in the field of air transportation. Progress has been achieved in assistance to Nepal through specific projects in teacher training, rural school expansion, adult education, and the establishment of a modern national education policy; surveys of existing and potential new industries; establishment of an industrial development center; modernization of labor and industrial legislation; mineral surveys; improved agricultural practices; health education and malaria control; and establishment of rural health clinics. The proposed fiscal year 1960 program continues the present activity pattern.

#### *Sudan*

In the Sudan, the objectives of the U.S. economic aid program are to help this new nation, which received its independence only 3 years ago, develop its economic potential and thus increase economic and political stability. In the long run, one of our primary instruments for this purpose will be technical cooperation. In fiscal year 1960, the second full year of our operation in the Sudan, we propose to increase this program substantially. The second major instrument will be the continuing possibility of loans from the Development Loan Fund and other lending institutions.

At the present, however, the country is confronted with an immediate, and we hope short-term, economic crisis caused by the rapid deterioration of the market for the Sudan's principal export commodity, cotton. The Sudan's relative prosperity in the past years has depended, to an excessive degree, on world market

sales of cotton, which has provided a major part of both foreign exchange earnings and government revenues. Shortly after Sudanese independence in 1956, this favorable outlook was reversed. Difficulties in the cotton market were aggravated for the Sudan by overpricing of the 1956-57 crop with resulting failure of sales. The following year, the country experienced a substantial crop failure. The Sudan's trade balance fell from \$62 million on the credit side in 1956 to deficits of \$43 million and \$53 million in the next 2 years. The Sudan is no longer in a position to meet its original outline of plans for substantial new economic development, and these have been cut back despite external help. The problem, at least for the immediate future, is one of maintaining a reasonable minimum level of economic activity.

U.S. assistance was initiated in late fiscal year 1958, just as the full effect of the cotton slump was becoming apparent. By fiscal year 1959, the continued low returns from cotton sales had called for a sharp reconsideration of the kind and level of program required in the Sudan. Special assistance support for the import program was substantially increased and, with an expected continuation of the foreign exchange shortage, is being proposed on a substantial scale for fiscal year 1960. Project activity initiated in fiscal year 1958 and fiscal year 1959 will be continued, with concentration on agricultural diversification, research, and extension; education, particularly technical education; highway construction.

We anticipate that in the future the Sudan will have increasing ability to manage its development on a loan basis. Although economic development activity will not reach the scale which the Sudan had planned before its foreign exchange crisis began 2 years ago, the total Sudanese effort, including activities carried on with non-U.S. resources, such as a recent loan for railroad development from the International Bank for Reconstruction and Development, is expected to give reasonable assurance of meeting the minimum requirements in the Sudan.

#### FUNDS FOR GREECE

Chairman HAYDEN. Senator Ellender?

Senator ELLENDER. Now, you are appearing for the Near East and Asia only?

Mr. HART. Near East and south Asia.

Senator ELLENDER. You have not touched upon military assistance. I presume that someone else will?

Admiral GRANTHAM. Senator, I have introduced a statement in the record by permission of the chairman and I am ready to answer any questions which you may raise.

(The statement referred to appears on p. 343.)

Senator ELLENDER. I notice that in the Near East and Asia you have—— for Greece.

In the light of the recent discussion we had with Mr. Riddleberger, how can you justify that amount?

What will it consist of, and why is not Greece carrying more of this burden?

As I have shown previously, we have given aid to Greece to the tune of—— through fiscal year 1959.

Admiral GRANTHAM. To get right to the root of the matter, Senator Ellender, I think I should say that a large military assistance program for Greece is necessary because of her inability within her own economy to support the forces required for her defense.

Senator ELLENDER. She is just spending 5.3 percent of her GNP for defense and we are spending over 10 percent.

How can you justify that?

Mr. MURPHY. Senator, may I interject at this point?

You may have noticed that Ambassador Riddleberger has returned this morning. The expressed purpose of his return is to read a state-

ment prepared to respond to the questions you asked about Greece on the occasion of his last visit.

It occurs to me, Senator, that the discussion you have started would probably be helped if it could be taken up against the background of Mr. Riddleberger's reply.

Senator ELLENDER. I would like to have Mr. Riddleberger reply, because I am going to form my opinion of Mr. Riddleberger on the response that he presents.

(Discussion off the record.)

Senator ELLENDER. We were supposed to stop all aid to Greece in 1957 except for Public Law 480, but somehow, we are being forced into giving more defense support.

#### SUMMARY OF AID TO GREECE

Chairman HAYDEN. You may proceed, Mr. Riddleberger.

Mr. RIDDLEBERGER. Senator Ellender was good enough to put some questions to me on August 6. I was prepared to answer. He suggested he would like it in a very complete form. Therefore, Mr. Chairman and members of the committee, I have tried to draw up a summary which I hope will be responsive to the inquiries put both by Senator Ellender and Senator Byrd.

At the time of the discussion on August 6, we left unresolved a number of points in which members of the committee had expressed a particular interest.

These included the following:

1. The size of the defense support program in fiscal year 1959, as compared with the program proposed for fiscal year 1960, the function which the defense support program serves, and the reasons for continuing grant assistance to Greece.
2. Assistance to Greece other than defense support, and the ways in which it can substitute for or supplement defense support.
3. The trend in total economic assistance to Greece.
4. The Greek tax structure, tax rates, and tax collections in relation to gross national product and per capita gross national product.
5. The size and trend of Greek Government debt.

My staff has prepared certain tabular information in response to specific questions by Senator Byrd. These tables, which have been provided to the committee, supplement and illustrate what I have to say today, and I have, therefore, appended them to my statement.

(The tables referred to appear on p. 367.)

Some of this information is, as you will recognize, necessarily classified, specifically, the proposed level of defense support for fiscal year 1960, and certain information which the Greek Government has supplied to us on a classified basis, but the balance may appear in the published record of these hearings.

Although these several points emerged during the discussion as more or less distinct questions, the answers are, it seems to me, more meaningful in the framework of the total Greek situation.

With your permission, I shall respond in that context, although I shall be happy to answer to individual questions as well.

## DEFENSE SUPPORT

As you know, defense support is economic assistance which is required, in addition to military support, in order to secure a specific contribution to the common defense by another country in which U.S. military aid is helping to support significant military forces.

The existence of defense support is rooted in specific military requirements; its dimensions are based on political and economic analysis, and its content is economic.

In the case of Greece our current objective is to enable the Greek Government to maintain an effective force of more than ———.

Senator ELLENDER. Mr. Riddleberger, you are giving us a clear definition of defense support. I have known all the time it was economic aid pure and simple.

Mr. Riddleberger, in 1956 when I visited Greece, your own Mr. Grismer, who was the USOM officer, said that we were stopping grant aid to Greece, except for \$45 million under Public Law 480.

Outside of that, and some technical assistance, we would be furnishing no other aid to Greece.

Now, I notice in the justifications ———. They claim that they have a greater defense burden than other countries in NATO.

How can you justify that?

Mr. RIDDLEBERGER. Senator, I believe you requested me to consider the various points you have raised and I think I shall in the course of the statement I am now making cover precisely those points.

## CURRENT OBJECTIVE IN GREECE

In the case of Greece, our current objective is to enable the Greek Government to maintain an effective force of more than ——— under arms.

Senator ELLENDER. To what extent has her forces increased since 1957?

Mr. RIDDLEBERGER. I am coming, sir, to that point in my next sentence.

(Discussion off the record.)

Mr. RIDDLEBERGER. The Greek Government has devoted an increasing amount to its national defense. Total defense expenditures, including the counterpart of U.S. financed defense support, have increased from \$135 million in 1956 to \$145 million in 1957, and \$155 million in 1958.

Senator ELLENDER. What percentage of the gross national product is that?

Mr. RIDDLEBERGER. 5.3. ———.

Of these amounts, the portion from Greece's own tax resources has also risen steadily, from \$109 million in 1956 to \$120 million in 1957, and \$133 million in 1958. ———.

This represents an average of 28 percent of total Government expenditures and 5.3 percent of gross national product.

Let me illustrate what this means in an economy like Greece's.

I do not assert that this represents as large a percentage of national product for defense as we in the United States are contributing, but I should like to observe that the per capita national product in the

United States, after defense expenditures were subtracted, was \$2,195 in 1958.

The comparable Greek figure was \$318, and, while Greek living costs are on the whole lower than costs in the United States, the main difference is in the standard of living, not the cost of living.

As a taxpayer myself, I am fully aware of the heavy burden of taxation which we in the United States are carrying to support the defense effort; there is no question that our current tax level is very heavy.

But the effect of a higher level of taxation in Greece is to reduce the ability of the average Greek to heat his home and clothe his family.

(Discussion off the record.)

#### TYPES OF ASSISTANCE

Mr. RIDDLEBERGER. The Congress has established a number of mechanisms to supply support to armed forces of friendly nations, and we have employed them, using the mechanism which was most appropriate depending upon the circumstances.

Specially, there are three distinct types of assistance:

Defense support, local currency proceeds from sales of surplus agricultural commodities under Public Law 480, and certain items which are used or consumed directly by the armed forces, supplied under the military assistance program.

We have used two of the three in Greece, and had at one time planned to use the third.

Senator ELLENDER. You have DLF, too?

Mr. RIDDLEBERGER. Yes.

Mr. MURPHY. That, of course, is not intended to help them support their defense budget.

Senator ELLENDER. No, but it is to help their economy. You are here helping them so they can support their army.

Mr. MURPHY. It is aimed at economic growth.

#### RELATION OF DEFENSE SUPPORT TO DLF LOANS

Senator ELLENDER. Another thing I would like you to address yourself to is that throughout the world our defense support or economic aid was supposed to decrease in proportion to the increase in DLF loans.

I do not wish to burden the record, but Greece has had a loan of \$12 million approved for a fertilizer plant and she has applications for loans totaling \$54 million.

Yet, economic grant aid, namely, defense support, is still climbing.

Mr. MURPHY. Let me get a statistic in the record which I think is fairly impressive and which I think contradicts in part what you just said.

Appropriations for defense support for fiscal year 1957, before there was a Development Loan Fund, was \$1,161 million.

The appropriation for fiscal year 1959—

Senator ELLENDER. I am talking about Greece now. Present the figures for Greece.

Mr. MURPHY. May I finish the statement that the 1959 total defense support was down to \$750 million appropriated or a reduction

of \$411 million in 2 fiscal years since the advent of the Development Loan Fund.

Senator ELLENDER. The DLF has increased by \$850 million during the same period. Where were those reductions made?

Mr. MURPHY. They were made in a number of countries, Senator Ellender. We are working on the table to get the details.

Senator ELLENDER. What about Greece? Greece should be a good example.

Korea is going to be another one. Pakistan is going to be another one. They are the countries before us today.

I want to see you point up to this committee where your defense support has gone down in proportion to increases in development loans.

We do not want the global picture. Apply it by countries because that is what counts.

Mr. MURPHY. We will attempt to do that.

Senator ELLENDER. That is what I thought you would do. We are presently talking about Greece, Pakistan, and the Near East.

Mr. RIDDLEBERGER. Senator, I was attempting in this particular statement to reply specifically to the questions which you had put to me, I believe on August 6. I think as I go on, that some of the points you have raised will be covered.

May I continue, Mr. Chairman?

Chairman HAYDEN. Yes.

#### METHOD OF DEFENSE SUPPORT IN GREECE

Mr. RIDDLEBERGER. Defense support in Greece has for many years taken the form of procurement authorizations to provide imported commodities, required to meet the needs of the economy arising from the economic demand created by the extraordinary military effort.

The counterpart arising from the sale of these U.S. financed imports belongs to Greece—with the exception of 10 percent, which is under the terms of the mutual security legislation reserved for U.S. uses, and which must be paid for in appropriated dollars before it may be used.

By agreement with the United States, the entire amount of currently generated Greek-owned counterpart is used by the Greek Government to support its military budget.

For a given Greek fiscal year, then, it is possible to calculate the direct U.S. contribution to the Greek military budget from defense support by taking 90 percent of the defense support for the previous U.S. fiscal year—since the counterpart is not generated until the arrival of the goods.

At an earlier time, we had envisaged the opportunity to supplement this contribution—and therefore lower the defense support requirement—by local currency generated through sales to Greece of surplus agricultural commodities under Public Law 480.

Greece was for a long time a food deficit country, forced to import a substantial proportion of her foodstuffs.



## AID UNDER PUBLIC LAW 480

Under the terms of Public Law 480, section 104(c) the President is authorized to use foreign currencies which accrue from Public Law 480 sales to procure military equipment, materials, facilities, and services for the common defense.

During the food deficit period which I have described, the United States was considering the contribution toward support of the military budget of local currency generated by Public Law 480 sales. This was the situation in 1957, when Senator Ellender had the conversation with the former ICA mission director in Greece, to which he referred when we discussed Greece last week.

This avenue for supporting the Greek defense effort did not prove to be practicable.

For the past 2 years, Greece has required a decreasing volume of imports of the kinds of agricultural commodities available under Public Law 480. So far as we can at this time forecast, there will be no requirement in the year ahead.

Senator ELLENDER. Why is that?

Mr. RIDDLEBERGER. Primarily because of the improvement in the agricultural situation.

Senator ELLENDER. She is well able more or less, to sustain herself.

Mr. RIDDLEBERGER. On food.

Senator ELLENDER. Yet we must furnish something else.

Mr. RIDDLEBERGER. On defense support.

As you know, any sales under this Public Law 480 program must be additive to normal import requirements.

Thus, the successful accomplishments of the U.S. assisted Greek agricultural program have made it impossible to plan on use of the surplus sales programs as an avenue for replacing defense support.

## MILITARY ASSISTANCE PROGRAM

The third mechanism which Congress has placed at our command for supporting the military effort is the military assistance program. While the greatest proportion of MAP assistance takes the form of military hardware and training, MAP may also supply certain construction and consumable items for direct use by the military forces of the aided country.

In the case of Greece, these military "soft goods"—such as petroleum products—have provided supplies which would otherwise have had to be imported by the Greek Ministry of Defense and which would not only have constituted a charge against the defense budget but also have placed an additional burden on Greece's limited foreign exchange resources.

Senator ELLENDER. At this point, do you know how much of the ——— we are providing for military aid will be used for fuel and other materiel for the army?

Mr. RIDDLEBERGER. It is usually worked out, Senator, by conversations between our representatives and Greece.

Senator ELLENDER. Do you have the amount?

Mr. RIDDLEBERGER. I have them for the fiscal years 1958 and 1959, as well as the proposed figure for fiscal year 1960, and they are included in the tables which are appended to this statement.

For fiscal year 1958 that particular item represented \$8 million and for fiscal year 1959, \$12 million.

Senator ELLENDER. That was taken out of what?

Mr. RIDDLEBERGER. That is taken out from MAP.

Senator ELLENDER. In addition to that, Greece received, in fiscal year 1958, \$15 million for defense support, \$20 million in 1959, and you are now providing ——— dollars this year, ———.

Mr. RIDDLEBERGER. In fiscal year 1957, Senator, according to the figures available to me, I believe defense support was \$25 million and the Public Law 480 program, which was still fairly large, was \$26 million.

In other words, on those items it was split almost 50-50.

Senator ELLENDER. That was in fiscal year 1957. That was supposed to be the last year for which defense support would be granted.

Mr. RIDDLEBERGER. You asked me first about 1957. In fiscal year 1958, defense support, I believe, was \$15 million.

Senator ELLENDER. That is right.

Mr. RIDDLEBERGER. And that is the year when the \$8 million appeared as consumption items under military assistance.

Senator ELLENDER. Was that included in the \$25 million you spoke of a moment ago?

Mr. RIDDLEBERGER. This was 1958 and it would be in addition to the \$15 million.

Senator ELLENDER. So that in addition to the \$15 million in 1958, you had \$8 million additional economic aid included under MAP; is that correct?

Mr. RIDDLEBERGER. That is correct, under the military assistance program.

Senator ELLENDER. It is worse than I thought.

Mr. RIDDLEBERGER. Senator, I think we have to call attention to the fact that defense support decreased by \$10 million in that fiscal year.

Senator ELLENDER. You mean from 1957 to 1958?

Mr. RIDDLEBERGER. I am talking about fiscal year 1958.

#### CONCLUSION OF DEFENSE SUPPORT

Senator ELLENDER. That was the year you were supposed to wind it up and then use Public Law 480 funds according to Mr. Grismer.

Mr. RIDDLEBERGER. In fiscal year 1958 there was still a Public Law 480 program of approximately \$20 million, \$19.8 million.

Senator ELLENDER. Are you questioning what Mr. Grismer told me?

Mr. RIDDLEBERGER. Of course, Senator, I personally was not there, but I think I can readily apprehend what Mr. Grismer meant.

I assume that he thought it probable that the basic support, economic support, to be given to Greece, might be covered almost entirely by the sales under Public Law 480.

Senator ELLENDER. As I remember from my visit with him, he said that 1957 would be the last year for defense support because of the great advances which had been made in the economy of Greece.

Of course, you extolled that when you first appeared here.

## EFFECT OF CLIMATIC CONDITIONS

Mr. RIDDLEBERGER. Senator, I can understand how that opinion might evolve. I think that perhaps you and I both have spent enough time in the Balkan Peninsula to know that certain climatic conditions there frequently lead to long periods of drought. In fact, there was at one time, roughly speaking, from the early part of this decade, until the last year or so, where there seemed to be a cycle of good years and bad years insofar as the harvests were concerned.

In the last 2 years the countries have been fortunate in that there has been more rain, but of course, in preparing these estimates a year ahead it is impossible to know with any absolute certainty what the crop turnout may be.

During this period our experience seemed to indicate that the support that could be given to a Balkan country such as Greece under Public Law 480 might provide sufficient economic underpinning so that the other programs would not be necessary.

But personally I have always felt that some of these opinions were somewhat speculative because indeed they do depend upon the weather.

Senator ELLENDER. I think I could agree with you, Mr. Riddleberger, were it not for other facts. In my humble judgment, it is nothing but pressure brought to bear on our Government by Greece which causes us to furnish this grant aid. As I said before, the Greek Ambassador came to see me and took issue with me when I said I thought it should be cut.

But here in your justification you have ———. That is what I do not like.

Mr. RIDDLEBERGER. I think, sir, we are all accustomed to this question of pressure. As one who has just spent some 6 or 7 years in Balkan countries, I would say that pressure is not entirely new in that part of the world.

Senator ELLENDER. We still fall for it, Mr. Riddleberger, and that is what disappoints me.

Mr. RIDDLEBERGER. May I continue, Senator, with the remaining answers?

Senator ELLENDER. Yes.

## DIRECT MILITARY SUPPORT

Mr. RIDDLEBERGER. The practice of supplying a portion of military support requirements direct to the forces was adopted to assure the availability of these items to the forces at the time when they were required. In countries faced by severe balance-of-payments problems, unable to finance simultaneously the requirements for military operations and for maintenance of essential supply to the civilian economy, there have been occasions when the military forces were temporarily unable to secure their essential consumption requirements, creating a danger of lack of readiness in cases of emergency.

In Greece, we believe that the principles of proper supply management are now well understood, and that Greece can increasingly take care of these requirements through normal import channels.

## TREND OF ECONOMIC ASSISTANCE TO GREECE

I should now like to turn to the question of the trend of economic assistance to Greece—recalling, if you will, that a portion of the military assistance program has served directly to reduce the economic aid which would otherwise have been required.

Table I, appended to this statement, shows the trend over the period fiscal years 1955-60. As this table indicates, the combined total of ICA-administered defense support and technical assistance, sales of surplus agricultural commodities under Public Law 480, and consumption imports for the Armed Forces under the military assistance program has declined since fiscal year 1957, although individual components have fluctuated.

In the same period, Greek defense expenditures have risen steadily. Greek taxes have also increased, not only by virtue of increased tax rates, but also by virtue of more efficient tax collection. Greek tax and revenue collections are not only larger in absolute figures (they have risen from \$315 million in 1955 to \$400 million in 1956, \$456 million in 1957, \$500 million in 1958, and a projected \$535 million in 1959); they represent a substantially larger proportion of gross national product, having risen in 4 years from 13 percent to 18 percent of the gross national product.

Senator ELLENDER. Would you tell us how much of that is income taxes?

Mr. RIDDLEBERGER. Senator, we have prepared, at the end of my statement, a breakdown of the income from Greek tax revenues. If you will look at table III, total tax revenues from domestic sources, \$456 million.

I should explain, Senator, these figures are expressed in dollars although they are collected in drachmas. Taxes on income and profits, represented \$87 million of the total.

If you will observe, that represents a steady increase over the years 1955 and 1956. The other categories include the taxes imposed by the Greek Government.

## SOURCE OF TAXES

Senator ELLENDER. The bulk of the taxes come from sales, excises, and customs, which of course is a tax which increases the cost of goods that are consumed by the average Greek. These taxes soak the poor rather than the rich.

Mr. RIDDLEBERGER. I suppose, Senator, that it will be a long time before an efficient system of income taxes can be established in these Balkan countries. The agricultural nature of the economy, I think, makes it difficult to apply an income tax system in the sense in which we conceive it.

Senator ELLENDER. I am satisfied that their rate of taxation is nothing like ours, nothing like it ought to be, and a good many escape taxes altogether, as you know.

Mr. RIDDLEBERGER. Senator, I think you have a very real point there, particularly in countries of this character where the history of course has been one of tax evasion.

It seems to me, however, that in recent years in Greece there has been a determined effort on the part of the Government, both to construct a more equitable tax system and to effect a fairer collection of taxes.

I would not pretend that it is perfect, but it does seem to me that some progress has been made.

Senator ELLENDER. I notice, Mr. Riddleberger, that a man earning \$16,000 in Greece does not pay any income tax.

Mr. RIDDLEBERGER. I beg your pardon, Senator. I believe these figures are expressed in drachmas.

Is this table II to which you refer?

Senator ELLENDER. Yes. I thought you had converted that to dollars.

Mr. RIDDLEBERGER. No, for this particular purpose we had the figures in drachmas and we got up the table that way, thinking that would be a more accurate reflection.

Senator McGEE. May I suggest that you have it broken down on page 9 of your statement into comparative figures. There it is translated into its equivalence to our own salaries, which I think is rather impressive.

Mr. RIDDLEBERGER. I will come to that, Senator, in just a moment.

Senator ELLENDER. All right. I am sorry I anticipated it.

#### INCREASE IN GROSS NATIONAL PRODUCT

Mr. RIDDLEBERGER. As I noted last week, Greece has been moving ahead; the gross national product has increased from \$2,369 million in 1955 to \$2,882 million in 1958. That is why it has been possible for Greece to support the growing defense effort. But Greece cannot yet carry such a burden without our help.

#### REVISION OF TAX RATES

I should like to return to the matter of tax rates. Greece revised its tax rates in 1956, adopting the rates shown in table II. This table shows the taxes levied against a typical Greek businessman, salaried employee, professional man, and owner of rental property at various income levels.

In each instance, the man is assumed to have a nonworking wife and two dependent children. You will note that the rates of business taxation rise sharply from an effective tax of 1 percent on a gross income of 20,000 drachmas, \$667, to 36.7 percent on an income of 500,000 drachmas, \$16,667.

For a salaried employee, the effective tax rises from 0.8 percent on an income of 30,000 drachmas, \$1,000, to 35.3 percent on an income of 500,000 drachmas, \$16,667.

Taxes on professional men and owners of rental property run even higher.

#### COMPARISON WITH U.S. TAX RATE

By way of comparison, an American salaried employee with the same family situation would pay no Federal income tax until his income reached \$2,675, at which point his Greek counterpart would be paying 9 percent of his salary in income tax to the Central Government; and, on an income of \$16,667, the American would pay \$2,758, or 16.6 percent of his salary, as compared with the larger figure of \$5,882, or 35.3 percent for the Greek.

We have attempted here to give comparative statistics.

These taxes on income do not, of course, include the very high purchase taxes on luxury commodities, import duties, and use fees for the operation of automobiles. I do not recall the precise figures, but the radio which I could purchase in the United States for \$30 would have cost more than double that figure in Athens, with the bulk of the difference attributable to import duties and excise tax.

A final point, raised by Senator Bible, is the question of the quotation from page 78G of the maroon volume, "World-Wide Summary." As you will note, that particular section is classified material, and my response to the question must remain classified.

(Discussion off the record.)

(The tables referred to follow :)

TABLE I.—*Economic assistance provided to Greece, fiscal years 1955-59, and proposals for fiscal year 1960 (including Public Law 480, title I sales)*

[Figures in millions of dollars or dollars equivalent except as indicated.]

|   | Fiscal<br>year 1955 | Fiscal<br>year 1956 | Fiscal<br>year 1957 | Fiscal<br>year 1958 | Fiscal<br>year 1959 | Fiscal<br>year 1960 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Defense support (obligations).....                            | 33.7                | 26.2                | 25.0                | 15.0                | 20.0                | —                   |
| Technical cooperation (obligations).....                      | .4                  | .6                  | .7                  | .7                  | .8                  | 0.0                 |
| MAP consumption items (deliveries).....                       | —                   | —                   | —                   | 8.0                 | 12.0                | —                   |
| Subtotal.....   | 34.1                | 26.8                | 25.7                | 23.7                | 32.8                | —                   |
| Public Law 480 title I (sales agreements).....                | 14.4                | 6.1                 | 26.0                | 19.8                | —                   | —                   |
| Subtotal, MSP plus Public Law 480<br>title I.....             | 49.5                | 32.9                | 51.7                | 43.5                | 32.8                | —                   |
| Development Loan Fund (loan agree-<br>ments signed).....      | —                   | —                   | —                   | —                   | 12.0                | —                   |
| Grand total.....  | 49.5                | 32.9                | 51.7                | 43.5                | 44.8                | —                   |
| Greek statistical data (for corresponding<br>calendar years): |                     |                     |                     |                     |                     |                     |
| Total defense expenditures.....                               | 123                 | 135                 | 145                 | 158                 | —                   | —                   |
| (Defense expenditures from Greek<br>revenues).....            | (85)                | (109)               | (120)               | (138)               | —                   | —                   |
| Taxes and revenues.....                                       | 315                 | 400                 | 456                 | 500                 | 535                 | —                   |
| Gross national product.....                                   | 2,360               | 2,530               | 2,750               | 2,882               | —                   | —                   |
| Per capita GNP (dollars).....                                 | 263                 | 300                 | 323                 | 335                 | —                   | —                   |
| Public debt.....  | 172                 | 180                 | 212                 | —                   | —                   | —                   |
| (Of which foreign debt).....                                  | (65)                | (88)                | (101)               | —                   | —                   | —                   |
| Hard currency reserves (end of year).....                     | 196                 | 199                 | 175                 | 150                 | —                   | —                   |

<sup>1</sup> Estimate.

(Sec p. 178)

TABLE II.—Actual Greek income tax payable by typical income groups <sup>1</sup>

[In drachmas]

|                            | Businessmen,<br>earnings from<br>commercial and<br>industrial enter-<br>prises |                        | Employees, earn-<br>ings from sal-<br>aries |                        | Professional men,<br>earnings from<br>professional<br>services |                        | Owners of rental<br>property, earn-<br>ings from rental<br>property |                        |
|----------------------------|--|------------------------|---|------------------------|--|------------------------|---|------------------------|
|                            | Tax  | Percent of<br>earnings | Tax   | Percent of<br>earnings | Tax  | Percent of<br>earnings | Tax   | Percent of<br>earnings |
| Total income: <sup>2</sup> |  |                        |   |                        |  |                        |   |                        |
| 16,000                     |  |                        |   |                        |  |                        |   |                        |
| 20,000                     | 200  | 1.0                    |   |                        |  |                        | 800   | 4.0                    |
| 30,000                     | 1,080  | 3.5                    | 235   | 0.8                    | 375  | 1.2                    | 1,960   | 6.5                    |
| 40,000                     | 2,360  | 5.9                    | 840   | 2.1                    | 1,060  | 2.6                    | 3,560   | 8.9                    |
| 50,000                     | 3,980  | 7.9                    | 1,735                                       | 3.5                    | 1,965  | 4.0                    | 5,480   | 10.9                   |
| 60,000                     | 5,960  | 9.9                    | 3,215                                       | 5.3                    | 3,555  | 5.9                    | 7,760   | 12.9                   |
| 70,000                     | 8,140  | 11.6                   | 5,025                                       | 7.2                    | 5,435  | 7.7                    | 10,240  | 14.6                   |
| 80,000                     | 10,520   | 13.1                   | 7,115                                       | 8.9                    | 7,565  | 9.4                    | 12,920  | 16.1                   |
| 90,000                     | 13,100   | 14.5                   | 9,405                                       | 10.4                   | 9,895  | 11.0                   | 15,800  | 17.5                   |
| 100,000                    | 15,880   | 15.9                   | 11,895                                      | 11.9                   | 12,425   | 12.4                   | 18,880  | 18.9                   |
| 125,000                    | 23,310   | 18.6                   | 18,925                                      | 15.1                   | 19,505   | 15.6                   | 27,000  | 21.6                   |
| 150,000                    | 31,340   | 20.9                   | 26,565                                      | 17.7                   | 27,215   | 18.1                   | 35,840  | 23.9                   |
| 175,000                    | 39,970   | 22.8                   | 34,895                                      | 19.9                   | 35,595   | 20.3                   | 45,220  | 25.8                   |
| 200,000                    | 49,200   | 24.6                   | 43,835                                      | 21.9                   | 44,575   | 22.3                   | 55,200  | 27.6                   |
| 250,000                    | 68,380   | 27.3                   | 62,725                                      | 25.1                   | 63,505   | 25.4                   | 75,880  | 30.3                   |
| 300,000                    | 88,880   | 29.6                   | 82,815                                      | 27.6                   | 83,635   | 27.9                   | 97,880  | 32.6                   |
| 400,000                    | 134,200  | 33.3                   | 127,385                                     | 31.8                   | 128,325  | 32.1                   | 148,200   | 36.5                   |
| 500,000                    | 183,720  | 36.7                   | 176,470                                     | 35.3                   | 177,470  | 35.5                   | 198,720   | 39.7                   |

<sup>1</sup> In each instance, taxpayer assumed to have nonworking wife, 2 dependent children; income derived from 1 source only.

<sup>2</sup> Before deduction of untaxed minimum and family expenses. In the case of income from rentals, figures calculated after deduction for depreciation.

TABLE III.—Greek revenues from domestic sources

[In dollar equivalents]

|                                      | 1955          | 1956          | 1957          | 1958 <sup>1</sup> |
|--------------------------------------|---------------|---------------|---------------|-------------------|
| Total revenue from domestic sources  | \$315,000,000 | \$400,000,000 | \$456,000,000 | \$500,000,000     |
| Taxes on income and profits          | 50,000,000    | 71,000,000    | 87,000,000    |                   |
| Sales turnover and excise taxes      | 117,000,000   | 113,000,000   | 125,000,000   |                   |
| Customs                              | 63,000,000    | 97,000,000    | 110,000,000   |                   |
| Other taxes                          | 27,000,000    | 54,000,000    | 61,000,000    |                   |
| Receipts from Government enterprises | 5,000,000     | 20,000,000    | 21,000,000    |                   |
| Other revenue                        | 53,000,000    | 45,000,000    | 52,000,000    |                   |

<sup>1</sup> Breakdown not available.

## FUEL AND COMMODITIES OTHER THAN HARDWARE

Mr. RIDDLEBERGER. I think, Senator, that concludes my formal statement, but we shall be happy to attempt to answer any questions you may have.

Senator ELLENDER. I would like to find out, of the ——— dollars provided for military assistance to Greece this year, how much of that will be used for materiel other than hardware?

Mr. RIDDLEBERGER. Senator, the figure contemplated will probably be about ———.

Senator ELLENDER. Now, in addition to that, you are programming ——— dollars in defense support?

Mr. RIDDLEBERGER. That is the proposed figure, Senator Ellender.

Senator ELLENDER. I know, but that is what you expect to get. That is what you are asking for now, is it not?

Mr. RIDDLEBERGER. That is what we hope to get.

Mr. MURPHY. The authorization has already been cut by 10 percent.

Senator ELLENDER. And of the ——— dollars, ——— dollars will be used for raw materials and fuel, as I understand it.

——— for machinery, and equipment. What is that for?

Mr. BARROWS. That is simply general industrial machinery, spare parts and the like, brought in through the private channels of trade.

Senator ELLENDER. I notice ——— for other industrial commodities. What kind of commodities are those?

Mr. BARROWS. I do not know offhand, sir.

Mr. FARWELL. Those would be the items required to support various elements of the Greek economy, by enabling the import of essential items for which Greece could not otherwise afford the foreign exchange. As Mr. Barrows noted the counterpart will support the military effort.

Senator ELLENDER. I notice ——— for nonsurplus agriculture commodities, such as what?

#### NONSURPLUS AGRICULTURAL COMMODITIES

Mr. FARWELL. These would be the items which are not available on the current surplus list. For example, it could include the purchase of sugar, although I do not assert that sugar happens to be one of the items. It will include fats and oils. They are items that are not available on the surplus list at this time.

Senator ELLENDER. So that our entire contribution to Greece ———.

Mr. BARROWS. That is correct.

#### DLF LOANS

Senator ELLENDER. In addition to that, we have made DLF loans to Greece of \$12 million to construct a nitrogen plant and there are now applications for DLF loans totaling \$54.5 million.

Mr. BARROWS. Yes, sir.

Senator ELLENDER. In view of the fact that these loans are being made, why is it, as I pointed out a while ago, that our defense support and other assistance continue to spiral.

Mr. BARROWS. Senator, I would like to return to this table for just a minute, if you do not mind.

#### TOTAL FUNDS SUPPLIED IN 1956

For the fiscal year 1956, at which time you talked to Mr. Grismer, we supplied from all of these sources which you have discussed a total of \$32.9 million, in what can be called economic assistance, defense support, Public Law 480, and technical cooperation.

At that time, according to your report and the discussion last week, Mr. Grismer estimated that the country would need economic assistance of \$45 million in the form of Public Law 480.

Senator ELLENDER. That is correct; is it not?

Mr. BARROWS. That is what he estimated. I am sure it was correctly reported.

As it turned out, what the country received was more than that, \$51 million—\$51.7 million. Not as much of it took the form of Public Law 480 sales as Mr. Grismer estimated at the time. It was only \$26 million.



In addition, \$25 million of defense support was supplied. But in fact, the increase over what he estimated is not very large, it seems to me.

#### 1958 AND 1959 FUNDS

In any event, in 1958, the figure did fall below the \$45 million level on the total basis, \$15 million of defense support; \$8 million of these MAP consumption items which we identify in order to give a full picture and just \$20 million in Public Law 480.

In fiscal year 1959, the total of these forms of economic assistance declined again to \$32.8 million to which must be added the \$12 million of the DLF loan.

#### BASIS OF REQUEST

Now, the basis on which this money is requested is that defense support is intended to maintain the economic level of activity in the country and to help maintain certain forces.

The Development Loan Fund on the other hand is frankly requested and provided by Congress to help these countries grow.

Senator ELLENDER. Yes, but the justification for the DLF was that the loan feature would take the place of the grants. That is written in the reports.

I pointed that out when we had the authorization bill before us last month.

Mr. BARROWS. Yes, sir.

Senator ELLENDER. I do not know whether \$54 million on application will be granted.

Mr. BARROWS. It may be; I do not know, sir, but I would like to point out that at the time the Development Loan Fund was added those appropriations were provided in country after country around the world.

The defense support requests were reduced to take out of them any project proposals which could, according to the new definition and new appropriation, more properly be submitted in the Development Loan Fund.

Now, against these figures which do not show a rise or a substantial rise, in fact, they show a decline generally in the amount of money given to support of the military forces—you have the fact that the forces themselves have been increased in size by ——— since 1956.

If Greece is to go ahead and meet its NATO commitments forces will have to be increased still more.

(Discussion off the record.)

Mr. BARROWS. So in summary, for about the same amount in defense support Greece is supporting larger forces and certainly larger forces than Greece would be able to maintain without the help that we are requesting.

Now, there is one other factor. I preceded Mr. Grismer in the position he occupied when you were in Greece, so I speak with a certain measure of personal experience.

I suspect that Mr. Grismer, as I, myself, when I was there about 2 years before him, made his statement on the assumption that the Greek forces would not go up.

I know at the time I left Greece in 1954, it was not clear that Greece would be expected to increase the forces as much as she has now done. And this is a factor.

#### INCREASE IN GREEK COMMITMENTS TO NATO

Greek commitments to NATO have increased and we have preserved a level of defense support aid, that we hoped we could cut back, to help Greece maintain these additional forces.

Mr. RIDDLEBERGER. Mr. Chairman, may I supplement what Mr. Barrows has said, by going off the record for a moment.

Chairman HAYDEN. Yes.

(Discussion off the record.)

Senator ELLENDER. Do not compare per capita income because it will include defense expenditures.

Mr. RIDDLEBERGER. Senator, I am entirely conscious of the validity of your point, but the figures which I quoted, in the case of the Americans, \$2,195, was the average per capita income after the reduction of the defense expenditures and the comparable figure for Greece was 313.

#### MALDISTRIBUTION OF INCOME

Senator ELLENDER. Mr. Riddleberger, we have more than a third of our population today getting less than a thousand dollars a year, right here in the United States.

Mr. RIDDLEBERGER. And as you have so aptly remarked, we have something of the same situation in Greece in the maldistribution of income.

Senator ELLENDER. That is right.

But you know as well as I do that the people of wealth there do not pay the same proportion of taxes as we pay here.

#### PROPER TAXATION

Mr. RIDDLEBERGER. Senator, I think it is one of the really major issues in Greece, this question of proper taxation.

Senator ELLENDER. Then why should we listen to a government which is incapable of imposing proper taxation on its own people?

Mr. RIDDLEBERGER. I think there is progress.

Senator ELLENDER. In the meantime we are going downhill. That is what bothers me a lot. We are going deeper and deeper into debt.

In Pakistan, we are making available for defense support ——— dollars.

I would like to find out how that money is going to be spent.

Mr. BARROWS. That money will be spent, sir, entirely to finance imports required by the economy in general for machinery, raw materials, fuel, and other requirements of the country.

Mr. MURPHY. The detail is set out on page 148 of the green volume.

Senator ELLENDER. This entire amount will be used to fill the balance-of-payment gap.

Mr. BARROWS. Yes, sir.

Senator ELLENDER. That is the reason you are doing this?

Mr. BARROWS. It is to give resources to the country——

Senator ELLENDER. I understand, but to fill the balance-of-payment gap?

Mr. BARROWS. That is one way of putting it; yes, sir.

#### BALANCE-OF-PAYMENT GAP

Senator ELLENDER. That is what you say in your justifications.

As I pointed out 2 or 3 days ago, our balance-of-payment gap was \$3.2 billion last year. How will we fill that gap? You help them to balance theirs and in order to balance theirs we unbalance ours. How long can we keep that up? Can you tell us?

Mr. BARROWS. You are talking, I believe, Senator Ellender——

Senator ELLENDER. Talking as an American now.

Mr. BARROWS. I am speaking always as an American.

Speaking about the movement of gold sales which balanced the gap, you speak, I suppose, insofar as the United States is concerned?

Senator ELLENDER. Yes, that is what I am talking about. Obviously the United States will have to balance the gap in some way.

But she cannot do it if she keeps on giving and spending money and getting no returns. But that is what you are doing. The money that we are spending in the United Kingdom and in France is not necessary. Those people could do much better than they are now doing.

But we are not concerned with that area at the moment. Let us review the aid given to some of the countries in the Near East and south Asia. There is some prosperity in that area.

In the case of Pakistan we have given \$268,300,000 through fiscal year 1959.

In 1960 you have programed —— . You have programed defense support of —— .

You have programed military assistance of —— .

How much of this —— will be used for materiel other than hardware, Admiral, do you know?

Admiral GRANTHAM. The details are on page 138 and "other material" is the item on this page that applies, page 138. You will see an item "other material", —— thousand dollars. That is from MAP and not included in defense support.

Senator ELLENDER. What is the total?

Admiral GRANTHAM. —— thousand dollars.

Senator ELLENDER. The rest of it will go for hardware?

Admiral GRANTHAM. That is right, sir.

#### LOAN PROGRAM

Senator ELLENDER. Now the DLF has already closed loan agreements with Pakistan, aggregating \$101,750,000 and there are applications totaling \$101,937,000. How much more do you expect us to do?

Mr. BARROWS. Senator Ellender, I would like to go back to the statement you made at the beginning of the discussion on Pakistan. I wish we could point to a picture of prosperity such as you feel exists there.

Senator ELLENDER. I should not have said prosperity but I should have said much better off than they have ever been.

## PAKISTAN GROSS NATIONAL PRODUCT

Mr. BARROWS. As a matter of fact, by most judgments that have been made recently, until the change of regime, they have not been significantly better off. They have been able to hold their own in carrying this military burden by virtue of American aid, but they have not made progress and I offer as evidence of this judgment the figures that you will find on the yellow divider page here on their per capita gross national product which has remained virtually constant at the low figure of \$65 per capita from 1955 through 1958.

This is not a record that we are particularly proud of, as a matter of fact. We wish that they had made more progress, but it does indicate the margin on which the country has been operating and the importance of the defense support aid to enable them to keep going.

We hope that because of improved administration in the country, and the cumulative effect of our help, plus these development loan fund loans, they will be able to make some actual progress without having to cut back their military effort.

But the purpose of the appropriations that we are talking about here other than technical assistance, that is to say defense support and MAP, is to help them carry the military load.

The purpose of the development loan funds which are considered under another chapter in the law is to help the country attain some economic growth.

As I say, the record has not been brilliant in the last few years.

Senator ELLENDER. The point I want to stress again is that many Members of Congress have soured on the grants which have been made in the past and, as you know, we enacted a development loan program to take the place of these grants. But the loans are not replacing the grants.

Mr. BARROWS. Senator Ellender, we have followed in the case of Pakistan, I think, quite closely, the intent of Congress on the use of this kind of money.

Since the Development Loan Fund has become available we have allocated no new funds from defense support for any form of project in Pakistan.

Senator ELLENDER. You are still giving defense support?

Mr. BARROWS. We have financed essential imports, that is true, of course. This supports the enterprises they have and enables the economy to maintain the forces, but it is not going into new enterprises.

Senator ELLENDER. Public Law 480 also assists, it gives them food.

Mr. BARROWS. Yes, sir; although, as you know, they buy the food under Public Law 480 for local currency.

## ASSISTANCE FROM COLOMBO PLAN COUNTRIES

Senator ELLENDER. Is Pakistan getting any assistance from any other of our allies?

Mr. BARROWS. Yes; from the Colombo plan countries.

Senator ELLENDER. How much?

Mr. BARROWS. We will find it in a minute, sir.

Senator ELLENDER. Will you put it in the record at this point?

Mr. BARROWS. Yes, sir.

Senator ELLENDER. You might give it for all countries in that area. (The material referred to is classified and has been supplied to the committee.)

#### SITUATION IN IRAN

Senator ELLENDER. Mr. Chairman, I do not want to burden the record, but I happened to visit Iran. There is a country that ought to be able to do more for herself. She is rich in oil and there are very wealthy people there.

I notice that we are furnishing Iran with \_\_\_\_\_ in military assistance and in defense support \_\_\_\_\_ in addition we have already made loans aggregating \$77,760,000 and the applications on hand for Iran total \$189 million.

Now, we are going every which way to assist this country, a country that in my opinion is very wealthy in natural resources.

The cumulative amount for Public Law 480 and to Iran is \$12,415,000.

I notice that none has been programmed for 1960.

Mr. BARROWS. According to my records, sir, none has been made in 1958 or 1959, either.

Senator ELLENDER. Why is it necessary to furnish this country military assistance and defense support?

Mr. BARROWS. This program in both the MAP and defense support \_\_\_\_\_.

I think that Secretary Hart should give you some explanation of it.

Mr. HART. Senator, the Government of Iran, like any government in the Near East, as I know you know from your travels, is under tremendous pressure to produce results and at the same time that these pressures are increasing, pressures to modernize, show improvement in the standard of living at a very rapid rate, pressures I think primarily from the youth who are being educated; the turbulence in nearby countries has had a profound shaking effect.

There is a factor of general impatience. In Iraq, in the revolution of July of last year it was demonstrated that the governments which have charge even of sizable development programs can make mistakes in terms of keeping insufficiently in mind this business of producing results visible to the people.

#### DECLARATION ISSUED IN LONDON

You may recall that in London there was a declaration issued by the countries of the Baghdad Pact region and Great Britain. We associated ourselves with that in an attempt to reenforce the willingness of all of the countries of the area to resist aggression.

Out of that grew our bilaterals \_\_\_\_\_.

Senator ELLENDER. Against Russia?

Mr. HART. Against Russia, if Russia is the aggressor.

Senator ELLENDER. Now, are you saying this aid is necessary because of events which happened in Iraq? Is that what you are saying to us now?

Mr. HART. I say that Iraq being a close neighbor of Iran—

Senator ELLENDER. Iraq has battered out the Communists from what I understand, and they are now going to join with Jordan and Syria and probably they will end up with Nassar soon.

Do you think it is still necessary to go on with your projected plan?  
(Discussion off the record.)

Mr. HART. Senator, I think Admiral Grantham would like to speak a little bit on this point of military aid to Iran.

Senator ELLENDER. There is only one more country that I would like to bring to the attention of the committee and that is Turkey——

Mr. MURPHY. Senator, may we have permission to put in the record at this point a comment by Mr. Shuff on the need for these forces?

You raised a question a while ago about the need for these forces and their efficacy.

Senator ELLENDER. You will find needs; I know you can generate them.

(The information referred to follows:)

#### THE VALUE OF IRANIAN FORCES IN FACE OF SOVIET MILITARY POWER

The utility of conventionally armed forces, especially those of countries which like Iran, lie in close proximity to Russia's tremendous military power, is frequently questioned. The allegation that conventional forces in such countries cannot contribute significantly to the preservation of the free world security system cannot be accepted.

The purpose of U.S. military assistance to friendly nations which are threatened by Soviet expansionism is not to guarantee that any one of them, by virtue of its own strength, be able to turn back an all-out Soviet attack. What our military assistance is designed to assure is that each country possess a deterrent force sufficiently effective to require that the enemy undertake extensive, deliberate, and formal steps to gather its forces, and deploy a significant array of military resources prior to launching an attack, thus making the aggression plain before the world, and setting in motion appropriate free world response. The Communist invasion of South Korea, and the recent military seizure of Tibet by Chinese Communist forces, are evidence enough that the absence of an adequate conventional defensive capability only serves to invite Communist military adventures.

#### PROGRAM IN TURKEY

Senator ELLENDER. Turkey is scheduled to receive —— in military assistance. How much of that will be used for materiel other than hardware, Admiral?

Admiral GRANTHAM. That is shown on page 174 of this green book. It will be ——, sir.

Senator ELLENDER. We are also giving to Turkey defense support to the tune of ——?

Mr. BARROWS. Yes, sir.

Senator ELLENDER. This money, as I understand it, will be used to buy raw materials?

Mr. BARROWS. Machinery.

Senator ELLENDER. Basic commodities, spare parts, including vehicles and parts, electrical equipment, chemicals, steel, industrial machine parts.

Through Public Law 480 Turkey has received up to date \$196,081,000, and she is in for —— this year.

The defense support for fiscal year 1960, as I understand, is to be used to help Turkey balance her payments. Am I correct?

Mr. BARROWS. Yes, sir.

Senator ELLENDER. The total requirement for that purpose is, according to the record, \$420 million, and there will be a net deficit of

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\$70 million, and you are making up that difference, as I understand, by providing defense support.

#### DEVELOPMENT LOAN FUND FUNCTIONS

Mr. BARROWS. As you know, Senator Ellender, we are not providing cash to make up the payments deficit. We finance essential imports. Most of these goods are packaged for our U.S. exporters, as to loan applications, there is certainly no basis to assume that all the applications that these countries make will be granted by the Development Loan Fund. It is pretty hard for us to take that into account since by the very nature of the program, as it was authorized by Congress, it is not supposed to be programed out by advance commitment.

It is supposed to be handled on a case basis as it is.

Now, we can make reasonable assumptions about Public Law 480 on the basis of past experience, but on the question of the Development Loan Fund that depends on the nature of the project, the total amount of request before the agency, and the amount of money made available.

I do not think we have any basis for assuming that any such large sums will be granted to Turkey.

On the other hand, we do know that their current requirements to support their forces has been carefully calculated and the defense support request is based on that.

#### PROSPERITY IN ISTANBUL

Senator ELLENDER. When I was in Istanbul sometime ago, I saw with my own eyes, the prosperity existing in that area. When I talked to one of the leaders there and told him what our income tax rate was he thought I was crazy.

When I told him in my case even though I do not earn much money that I was in the 67 percent bracket, he looked at me and said, "Do you mean to say you have to pay \$67 out of every hundred dollars you make?"

He was astounded. He said, "Our whole taxes do not amount to more than 33 1/3 percent, including real estate and all other kinds of taxes."

That is what gets under my skin, when I go to these countries. It is something that I cannot understand.

Chairman HAYDEN. We will let Senator Dworshak say a few words and then quit.

Senator DWORSHAK. I will try to be brief.

#### VISIT TO SAIGON

Mr. Barrows, I recall with a great deal of pleasure the visit I enjoyed with you to Saigon when you were in charge of the mission a few years ago, accompanied by Senator Ellender.

You were very cooperative and I certainly learned a lot about the particular program you were supervising here.

When were you in Afghanistan last?

Mr. BARROWS. I was in Afghanistan a few weeks ago. First and lastly, I should say, it was my first visit.

Senator DWORSHAK. How long ago?

Mr. BARROWS. In the month of July.

Senator DWORSHAK. Then you are not able to make any comparisons because you do not know what conditions obtained previously.

Mr. BARROWS. That is right.

Senator DWORSHAK. I am going to give you a little information and I will sort of put you on the spot because you people come in here and tell us something about the effective work you are doing with these programs.

#### ICA PROGRAM IN AFGHANISTAN

I know some of this is classified and I certainly shall not disclose any of that which may be harmful, but during the past year I have had occasion to do some studying of conditions in our ICA program in Afghanistan and I am sure that when you comment on what I am saying that you will try to be realistic.

Now, the record shows, for instance, that since the aid program began in Afghanistan we have had cumulatively \$63 million of assistance and some of that, of course, is classified.

I also notice on page 12 of your report the following:

The Export-Import Bank has extended loans totaling \$39.5 million for development of the Helmand Valley. More recently, in the face of recurring crop failure, the United States has supplemented other forms of assistance by providing wheat to Afghanistan under title II of Public Law 480. Wheat was shipped in 1957 and 1958 with arrangements only recently completed for a further grant of 50,000 tons of wheat in 1959.

#### HIGHWAY CONSTRUCTION

I know that a lot of money has been spent on the assistance program and it covers a variety of programs, educational and I presume, sanitary, but primarily we have been interested through the ICA in highway construction.

That is true, is it not?

Mr. BARROWS. That has been a big part of it; yes, sir.

Senator DWORSHAK. We have spent a lot of money. How about the transit project which has been under consideration for some time? Has much progress been made on that?

Mr. BARROWS. Yes, some progress has been made, Senator.

Senator DWORSHAK. A lot remains to be done?

Mr. BARROWS. Considerable remains to be done, but surveys have been completed for the first construction phase.

Senator DWORSHAK. We have been working with the Ministry of Public Works in establishing a highway improvement and maintenance program.

#### RELATIONS WITH GOVERNMENT OF AFGHANISTAN

Now, on your recent visit did you observe that there has been a tragic deterioration in our relations with the Government of Afghanistan?

Mr. BARROWS. I observed that there has been some difficulties. I think that language is stronger than I would use.

Senator DWORSHAK. What degree of deterioration?

Mr. BARROWS. I think the Government of Afghanistan is dissatisfied with the progress we have made in a number of respects. The dissatisfaction is exaggerated, maybe even stimulated initially, not



by a fair appraisal of what we set out to do, but what they expect of us in comparison with the Russians.

Since we began the program there, as you know, the Russians have come in with a much more extensive effort than we are making. Some of our projects which started out under the technical cooperation philosophy as demonstrations have suddenly been judged by the Afghani-stans as a development project, and this presents a problem for us.

#### ROAD EQUIPMENT AND MACHINERY

Senator DWORSHAK. Is it not true, under the highway programs we agreed a year or two ago to send over some road equipment and machinery?

Mr. BARROWS. We did, sir.

Senator DWORSHAK. It was supposed to be new and instead of sending new equipment, we sent used, almost obsolete equipment, which offended very much, if not actually alienated, the Public Works Ministry.

Mr. BARROWS. Senator, in the interests of economy and to save the taxpayers money, we used military surplus equipment.

This is a general policy which has been urged upon us by certain committees of Congress, I believe.

In any event, it is something that we think we in conscience should try to do. It is my personal opinion that Afghanistan was probably the wrong place to try it, but I still think the idea in general is good.

Senator DWORSHAK. Is it true also that in the original agreement negotiated with Afghanistan it was stipulated that new machinery would be sent there?

Mr. BARROWS. I am not certain.

Senator DWORSHAK. If you will check the record, you will find that that is true.

If that is true, you know what the reaction would be over there if we promised to send them new machinery and then sent the used equipment.

That was not as efficient in operation. That is inevitable.

Mr. BARROWS. I came back from this trip convinced it had been a mistake to try to use surplus equipment in Afghanistan. I fully agree with the Senator.

Senator DWORSHAK. I am glad to get that reassurance from you. I do not think I can serve any real purpose by belaboring this point but it seems to me that in a country like Afghanistan where we have helped them with Export-Import Bank loans to build reclamation projects with huge reservoirs, and we have done everything over the past decade, that there ought to be some semblance of the gratitude and at least we ought to be holding our own.

I think you will agree with me that we are slipping, that we are not holding our own.

Now, what is your comment on that?

Mr. BARROWS. I would like to say you see the problem in one way; I see it in another. I would like very much to express my feelings about this because—

Senator DWORSHAK. It has not been your responsibility very long, has it?

## RUSSIAN ROADBUILDING PROJECT

Mr. BARROWS. No, sir; but I think I understand the decisions that were made by my predecessors in this matter, take the road project you are speaking of.

This was intended to be a demonstration only, limited to about 12 engineers under contract to do a good job. But as the Russians came in actually to build roads, bringing their large numbers of people, large amounts of equipment, we then added an equipment supply feature to the program.

Now, we find ourselves in a position where although we have not formally agreed to do so, the Afghanistans expect us to build a road in competition with the Russians who are building elsewhere.

(Discussion off the record.)

Mr. BARROWS. Now, we have not asked for enough money in this appropriation to do what really is expected of us in this situation.

Senator DWORSHAK. You did not use all the money available in the past year.

Mr. BARROWS. No, sir.

(Discussion off the record.)

Senator DWORSHAK. That is right. I agree with you on that statement.

But after spending more than a hundred million dollars and providing many thousands of tons of wheat, it would seem to me that if we had had proper administration and if we had been making the progress which we might justifiably expect from such an extensive program, that we would be in better shape today in Afghanistan than we are.

I do feel reassured that you recognize the acuteness and the severity of that situation in Afghanistan and that you propose to do something about it.

It requires drastic action, but the thing that worries me is that after spending all this money, and I am confining my remarks just to Afghanistan, although obviously the same conditions may obtain in other countries, where we have spent so much money, I feel keenly that we are losing this cold war.

Now, what do we do to at least hold the line and break even with the Soviets? What do we do?

## RUSSIAN EXPENDITURES

Mr. BARROWS. I would like to say this, Senator: This is a country where the Russians are spending much more money than we are.

Senator DWORSHAK. They have just started spending the money. They have not spent much, have they?

Mr. BARROWS. Yes, they have spent a good deal. They have committed more than we have.

Senator DWORSHAK. They have committed all over the world and never did any good.

Mr. BARROWS. In this instance I have seen the evidence that they are performing.

#### TRANSIT PROJECT

Senator DWORSHAK. On this transit project at the present time, are you planning to go ahead or is there some possibility we may cancel out on that particular program?

Mr. BARROWS. I don't think we will cancel out.

Senator DWORSHAK. You are going ahead as originally planned?

Mr. BARROWS. Yes.

I will say we are going ahead to the limit of the available funds committed which means that we can certainly do the first section.

Senator DWORSHAK. But which may be inadequate for the overall project?

Mr. BARROWS. Which will still be very useful.

Senator DWORSHAK. How many miles are involved in the transit projects?

Mr. BARROWS. 200, I believe.

Senator DWORSHAK. When you say the first section, how much is that?

Mr. BARROWS. Seventy. It will connect the city of Kandahar and airport of Kandahar with the Pakistan Railway on the Pakistan border.

Senator DWORSHAK. Has any of the actual construction been done yet?

Mr. BARROWS. No, sir; but the surveys are completed.

You see, this is a paving job only at that section so that the basic road work has been done.

Senator DWORSHAK. Is that done with our help and assistance, or did the Afghanistans do it themselves?

Mr. BARROWS. That was done under one of Morrison-Knudsen contracts, I believe. I don't believe there was ICA administered money in it although there may have been U.S. funds.

#### STATUS OF HELMAND VALLEY PROJECT

Senator DWORSHAK. What is the current status of the Helmand Valley reclamation project?

Mr. BARROWS. That was largely financed by the Afghanistans themselves, and by an Export-Import Bank loan.

In recent years we have put in some money. Current proposals are to provide help in the management side of it.

Senator DWORSHAK. Is it in operation now?

Mr. BARROWS. Yes.

Senator DWORSHAK. Is it proving a success?

Mr. BARROWS. It has just been evaluated by an official of our Bureau of Reclamation, who says it is a sound project if soundly administered, ———.

Senator DWORSHAK. Have we assumed the responsibility for teaching them how to operate it?

Mr. BARROWS. Not the responsibility, but we have indicated a willingness to help them.

Senator DWORSHAK. I am greatly encouraged that with your background you are going to approach in a realistic way some of these

problems in the area of the Near East and south Asia, because that is a point where we face a serious threat.

We read every day about the conditions in southeast Asia.

I think you have accepted a very great responsibility and I certainly hope, if you expect to have any support from the Congress in the provision of funds and in the continuance of some of these projects, that you come in with factual information so that we know what is going on.

Thank you, Mr. Chairman.

Chairman HAYDEN. Senator Allott.

Senator ALLOTT. Mr. Chairman, I will be very brief.

I want to direct my remarks to Afghanistan, too, so that you will know what I am talking about.

I realize that you have many difficulties in a country where you are openly in competition with the Russians as you are in Afghanistan.

(Discussion off the record.)

Mr. BARROWS. Thank you, Mr. Chairman, very much.

#### DISCRIMINATION BY FOREIGN GOVERNMENTS AGAINST AMERICAN CITIZENS

Chairman HAYDEN. A letter on the subject of discrimination against American citizens will be inserted in the record.

(The letter referred to follows:)

THE AMERICAN COUNCIL FOR JUDAISM,  
New York, N.Y., August 13, 1959.

HON. CARL HAYDEN,  
Chairman, Senate Appropriations Committee,  
Senate Office Building, Washington, D.C.

MY DEAR SENATOR: The Jewish Telegraphic Agency's Daily News Bulletin for August 13 reports on the discussion, before your committee, of the amendment introduced by Senator Wayne Morse, recommending some action against Saudi Arabia in an effort to correct the situation which leads to discrimination, in that country, against Americans of Jewish faith.

The American Council for Judaism was, perhaps, the first voluntary organization of American citizens to call attention to this situation when, in 1955, we submitted a detailed memorandum to the late Secretary of State, John Foster Dulles. A copy of this memorandum is enclosed.

If you can find the time to read this document, I believe it will indicate to you certain aspects of this problem which are of a more fundamental and complex nature than—judging by the reports I have seen—have been advanced by Senator Morse or any of the proponents of his resolution.

The fundamental fact—clearly delineated in our memorandum—is that the State of Israel, plus its appendage of the Zionist movement, has advanced an ideology and certain specific legislative acts which automatically presume to assign to all Jews, regardless of their legal citizenship, certain rights in the State of Israel in matters of immigration and acquisition of nationality. These rights are not possessed by citizens of the same countries who are of faiths other than Judaism.

The further fact is that this presumption has been established over the protests of many Jews—American citizens—who reject, unreservedly and entirely, the whole Israel-Zionist definition of "Jewish" nationality.

For more than 16 years the American Council for Judaism has built a public record of such protest and rejection; although its record is preceded by the protests of distinguished American Jews as far back as 1917-18, when the U.S. Government was faced with the question of recognizing and supporting the Balfour Declaration.

What is involved in the present situation in Saudi Arabia—and in other Arab States as well—is an official acquiescence by the governments of these states in this Israel-Zionist definition of extra-territorial nationality for all Jews, suggesting and, in fact, legislating for all Jews certain real or potential rights

in the State of Israel, not possessed by people of other faiths who are citizens of the same countries as these people of Jewish faith.

Let me be very explicit about the position of the council. The council recognizes the fact that any sovereign state—Israel or Saudi Arabia—is free to enact internal legislation without interference from other nations. But the council has contended that whenever such legislation transcends, in impact, the citizens of such a foreign sovereignty and draws distinctions between Americans on the basis of religious faith, the U.S. Government not only ought not acquiesce; it is obligated to take proper and necessary corrective action against any part of such legislation of a foreign state which does so discriminate. As our memorandums show, we have vigorously protested against any acquiescence by the Government of the United States in this automatic acceptance, by Arab nations, of this Zionist definition of "Jewish" nationality for Americans of Jewish faith. And the council has protested, no less vigorously, against any similar acquiescence, by the U.S. Government, in the application, by the State of Israel, of this same unilateral definition of "Jewish" nationality to Americans of Jewish faith.

We were, in this connection, particularly gratified earlier this year, with a small, but perhaps a precedent-making recognition of our position, in an official publication of the U.S. Government; a booklet entitled "When You Go Abroad—Information for Bearers of Passports." The publication is officially issued by the Passport Office of the Department of State.

On pages 74-77 of the edition dated September 1958 (revised), American citizens are told the following, under the subtitle, "Israel":

*"The following advice regarding the possibility of acquisition of Israeli nationality and liability for Israeli military service is based upon legislation of the State of Israel which, in its application to nationals of other states, including the United States, is limited to persons of the Jewish faith. The issuance of this advice does not imply concurrence in or agreement with any legislation which distinguishes between U.S. citizens on the basis of their religious faith."* [My emphasis.]

There follows an agenda of items in which, under certain conditions, Americans of Jewish faith—but no other Americans—may become involved during presence on Israeli territory. These include requirement "to perform military service either in the regular or reserve forces of Israel" with, of course, consequent loss of U.S. citizenship (p. 79). Also included, because of the "automatic operation" of the Israeli nationality law of July 14, 1952, is the requirement for Americans of Jewish faith, under certain conditions which apply to no other Americans, to disavow "specifically," "any intention of becoming Israeli nationals."

For a detailed exposition of our interest in this official warning to Americans of Jewish faith, I call your attention to the article, on page 35, of the enclosed copy of our publication "Issues."

The council has contended that this Israeli legislation draws a distinction between Americans, on the basis of religious faith. The sentence from the booklet of the Passport Office, quoted above—"The issuance of this advice does not imply concurrence in or agreement with any legislation which distinguishes between U.S. citizens on the basis of their religious faith"—would seem to confirm our contention.

Our motives in calling the full context of this problem to your attention—as well as our motives in submitting our 1955 memorandum—are not to penalize any nation friendly to our own country; or to exacerbate our country's difficult role in the grim responsibilities it has in the cold war. Our single-minded motivation is to attempt to safeguard the integrity of the nationality status of Americans of Jewish faith against these admitted, "automatic" encroachments by any foreign nation and its extraterritorial concept of a racially or religiously based nationalism.

Our record shows that, in principle, we agree with the spirit of Senator Morse's resolution insofar as it protests against religious discrimination practiced against American citizens. But I repeat our belief that this is only a fraction of a problem of such dimensions it probably deserves important attention, on its own merit, and requires more than a recommendation for punitive action, as a kind of rider, on legislation geared to other broader and generally, unrelated considerations of our country in the cold war.

If I may be of any further assistance to you in this matter, please feel free to call upon me.

Very respectfully yours,

ELMER BERGER.

## COMMITTEE RECESS

Chairman HAYDEN. If there is no further business we thank you gentlemen for your appearance here.

Mr. BARROWS. Thank you.

Chairman HAYDEN. We will stand in recess now until 10:30 tomorrow morning.

(Thereupon, at 12:40 p.m., Thursday, August 13, 1959, the committee was recessed, to reconvene at 10:30 a.m., Friday, August 14, 1959.)



# MUTUAL SECURITY APPROPRIATIONS FOR 1960

FRIDAY, AUGUST 14, 1959

U. S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Ellender, Saltonstall, Young, and Dworshak.

## MUTUAL SECURITY

### LATIN AMERICA

STATEMENTS OF WILLIAM P. SNOW, DEPUTY ASSISTANT SECRETARY OF BUREAU OF INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE; ROLLIN S. ATWOOD, REGIONAL DIRECTOR, OFFICE OF LATIN AMERICAN OPERATIONS, INTERNATIONAL COOPERATION ADMINISTRATION; BRIG. GEN. FREDERICK O. HARTEL, DIRECTOR, WESTERN HEMISPHERE, REGIONAL OFFICE, INTERNATIONAL SECURITY AFFAIRS, DEPARTMENT OF DEFENSE; ACCOMPANIED BY J. E. MURPHY, INSPECTOR GENERAL AND COMPTROLLER, MUTUAL SECURITY, DEPARTMENT OF STATE; AND CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY FOR MILITARY ASSISTANCE PROGRAMS, OASD/ISA, DEPARTMENT OF DEFENSE

### GENERAL STATEMENT

Chairman HAYDEN. The committee will please be in order. The first witness this morning is Mr. William P. Snow, Deputy Assistant Secretary of State for Inter-American Affairs.

I understand, Mr. Snow, you have had a wide experience in Latin America and speak Spanish like a native.

Mr. SNOW. Mr. Chairman, I have that wide experience. I do speak Spanish, but I cannot say I speak it like a native.

Chairman HAYDEN. Maybe there is a little trouble with your accent. We shall be pleased to hear from you, sir.

Mr. SNOW. Thank you, Mr. Chairman.

With your permission I will read my prepared statement.

I would ask, if I may, that the statements of General Hartel of the Department of Defense, and of Mr. Rollin Atwood of the International Cooperation Administration be accepted for the record.

Chairman HAYDEN. That may be done.



(The statements referred to appear on p. 393.)

Mr. SNOW. Mr. Chairman and members of the committee, I am appearing before the committee in support of the Latin American portion of the mutual security program for fiscal year 1960. We are requesting somewhat of an increase over fiscal year 1959 in technical cooperation funds for a total of \$43.7 million, while our request for special assistance, amounting to \$27.6 million, is comparable to the amount now programed for 1959.

#### REASON FOR INCREASED REQUEST

The increased request of \$95.6 million for military assistance is due in significant part to a change in the method of presenting the figures this year.

More than 25 percent of the increase over fiscal year 1959 actually represents reimbursable credit financing which will not be a net expenditure on our part.

In addition, as in recent years, we are requesting \$1.5 million as our yearly contribution to the technical cooperation program of the Organization of the American States.

The mutual security program as it affects Latin America consists primarily of technical cooperation, special assistance, and military assistance, but it also envisions access to the loan availability of the Development Loan Fund and possibly, although unforeseen at this time, access to the President's contingency fund to meet special situations which may arise.

#### IMPORTANCE OF LATIN AMERICAN PROGRAM

We attach great importance to the continuation of our Latin American program, which serves our objective of providing instruction and inservice training in the skills necessary for an orderly development of the economy of the area, provides at least minimal budgetary and balance of payments support to those countries in which dislocation of the economy is most critical; supplies developmental credit leading to a more rapid expansion of the economies, and assists some of the countries the better to assume their responsibility in hemispheric defense.

The amounts requested by the executive branch, as set forth in the first paragraph, represent those considered essential for the orderly development of the program and its minimum expansion consistent with the needs of the area. Much careful thought on the part of the department and the respective country teams under the guidance of our ambassadors went into the estimates of needs and any significant reduction of the funds requested will, of course, cause a reshuffling and curtailment of the program and make more difficult or, at least, delay the attainment of certain of our objectives in Latin America.

#### TECHNICAL ASSISTANCE

I was gratified to note that in the field of technical assistance the authorization bill left the total worldwide executive request unchanged. Subsequent congressional action, however, has given us cause for concern.

I hope that final action on the appropriation bill will be consistent with the authorized level.

Since it is widely accepted that increased developmental credit, both private and public, to Latin America through the various national and international sources available is important, it is imperative that we also develop effectively the human and institutional resources of the area necessary to absorb and utilize this capital flow.

This we have been doing and hope to continue to do, through a sharing of our technical and organizational experiences.

Our request for technical cooperation funds for fiscal year 1960 is approximately 25 percent higher than for fiscal year 1959, this increase representing an attempt to comply with specific project requests by Latin American governments, involving projects which seem highly constructive.

Mutual security program funds authorized by Congress for military and special assistance are substantially less than the global amounts requested. Subsequent action by the House has resulted in still further cuts.

If the House appropriation level is maintained, I anticipate serious effects upon our Latin American program.

#### TECHNICAL COOPERATION

There is a well-developed awareness in Latin America that one of the major obstacles to economic advancement lies in a shortage of managerial and technical skills throughout the area.

#### RESOLUTION OF ORGANIZATION OF AMERICAN STATES

The Organization of American States has, in fact, approved a resolution which reads in pertinent part:

One of the most serious obstacles to the formation, promotion, and execution of economic development programs and policies in (Latin) America is the lack of sufficient high-level technicians in the basic specialized fields related to the problems of development. \* \* \*

We feel that our technical cooperation program in Latin America, the oldest of such programs, dating back to 1942, has done much to spur this awareness of need on the part of the American Republics.

We have cooperated with them in bringing about increased and more variegated agricultural production; have helped them to build highways and to learn the use of modern mechanical equipment; have assisted them in the construction and operation of hospitals and other public health facilities, and have trained technicians in this field.

We have also aided in strengthening their educational facilities in order that technical and scientific education may be provided along with the traditional study of the humanities which has for so long been a dominant feature of Latin learning.

In addition, we have provided assistance in self-help housing programs to enable humble families to provide themselves with more suitable dwellings, and technical cooperation in a number of other fields in which we believe we are making a very real contribution to the economic and social betterment of the recipient countries.

#### STUDY OF BUSINESS AND PUBLIC ADMINISTRATION

Outstanding among these other fields is our contribution toward the development of modern techniques in the science of business and public

administration, a subject which has been largely neglected in Latin America until recently.

For example, the ICA project for establishing a school of business administration in Sao Paulo was started in cooperation with the Getulio Vargas Foundation.

Commencing in 1954, the school developed intensive courses for executive and managerial personnel and for undergraduate study in business administration.

December 1958 marked the completion of the first 4-year undergraduate program. The graduation ceremony for some 20 Brazilian students took place at the same time as the laying of the cornerstone for the new building for the Sao Paulo Business School, a wholly Brazilian financed undertaking.

Among other accomplishments, intensive 13-week courses have been given to nearly 600 Brazilian executives, and the Brazilian faculty has assumed primary responsibility for conducting the courses.

This school is the first one in Latin America to offer a 4-year undergraduate program in business administration, and it enjoys a high reputation among the business and official community.

In a recent public address, the director of the Brazilian Budget and Civil Service System stated that the business school at Sao Paulo, the first of its kind in Latin America, has become a concrete example of cooperation provided by point 4.

At the graduation ceremony, the Minister of Education and Culture, in expressing his thanks to Brazil's American friends, emphasized that without our assistance, both financial and technical, it would not have been possible to build up an institution of this sort in which state and Federal governments join forces to insure its success.

A further indication of the school's growing prestige outside Brazil is a recently signed contract between the Pan American Union and the school to provide intensive course training for 20 students per semester from all over Latin America.

#### SCHOLARSHIP PROGRAM

Through our scholarship program we have placed hundreds of Latin American students or technicians in our higher institutions of learning, or with leading industrial establishments for intensive technological training. These students and technicians have subsequently returned to their homelands to share their skills with their compatriots. In this way the benefits of our original training reach a much wider circle at no additional cost.

Through such scholarships and through daily contact with U.S. technicians in the field, thousands of Latin Americans have had an opportunity to become familiar with the U.S. culture and technical know-how and have learned something of our ideals and way of life.

#### SPECIAL ASSISTANCE

The use of grant-in-aid in Latin American, other than that of a regional nature, has been restricted to three countries and has been utilized primarily to assist those countries beset by economic ills which they are temporarily unable to cure by their own measures.

At the present time it is being extended to allay the effects of serious balance of payments or budgetary problems until such time as the

recipient countries are able to carry out measures to restore economic balance.

We are convinced that prompt assistance on our part has been instrumental in averting economic and political chaos in more than one case. We can demonstrate, in addition, that special assistance has also made a notable contribution to the broadening of a country's economic potential.

#### IMPROVEMENT OF TRANSPORTATION FACILITIES

For example, in Bolivia, in 1954, it was concluded that improvement of transportation facilities linking the productive agricultural areas with the centers of population would be one of the best contributions that could be made.

The work of the road servicio was begun in 1954 with special assistance funds. At that time most of the 13,500 kilometers of roads in Bolivia were in extremely bad condition, especially during the rainy season. Several were closed to automotive traffic for 5 to 6 months out of every year, and some were impassible at any time except by jeeps and beasts of burden.

The road servicio which has become the highway maintenance organization within the Bolivian Government, has trained its own engineers and foremen and today employs approximately 3,600 Bolivian laborers.

Only nine U.S. advisers are now associated with this project which operates throughout the country.

Approximately 3,500 kilometers of roads in 7 districts in Bolivia are being maintained and kept up 12 months in the year by the servicio.

During 1958, over 1,800,000 tons of produce moved over these roads as contrasted with 678,000 tons in 1957, and 408 tons in 1956.

Since over 50 percent of the tonnage has been agricultural produce, it means that there has been an increase of over 350 percent in a 2-year period in the agricultural production reaching the market.

#### DEMAND FOR AGRICULTURAL INFORMATION

Chairman HAYDEN. I had an opportunity to talk to a citizen of Arizona who had been a county agent in my State and then served, I think, for some 2 years in Bolivia. He told me about the eagerness of the Bolivian farmers to acquire American agricultural information and particularly he mentioned the value of these roads because it made possible communication from the high country to the low country.

In the low country there was valuable agricultural lands capable of cultivation, but these lands had been inaccessible on account of the absence of roads.

Have the Bolivians moved from the high country down to the low country to settle those new areas?

Mr. SNOW. Sir, they have to some extent, and they will do so more as the roads penetrate those regions, so that it is feasible for them to move in and to establish themselves.

Chairman HAYDEN. I understand that below the main chain of the Andes there is an area of abundant rainfall and a good climate suited to agriculture which could be developed if it were opened up.

Mr. SNOW. That is true, Senator; there is a favorable climate, for instance, in the region of Cochabamba, the second largest city in the country.

When you get down from the plateau as far as Cochabamba you perceive the fertility of the soil and the favorable aspects of the climate and you realize and appreciate very fully how much more can be done.

#### SPECIAL ASSISTANCE TO BOLIVIA AND HAITI

Now I continue with my statement on page 7.

This year in addition to an allocation for regional use, as indicated on page 278 of the presentation book, we are requesting special assistance funds to meet emergency situations in two countries, Bolivia and Haiti.

The amounts requested for these two countries have been determined after intensive study of their minimal requirements.

In both countries, precarious economic situations exist, characterized by budgetary imbalance, acute shortage of monetary reserves, and a critical balance of payments situation, all of which threaten the continued existence of constitutional government and augur serious economic and political disturbance unless aid is extended.

In the case of each, the balance of payments situation has been greatly aggravated by the decline in world demand and prices for their major export commodities.

Bolivia has traditionally depended upon sales of tin and other nonferrous metals for its major export earnings, while more than 60 percent of Haiti's foreign exchange earnings are derived from coffee.

Sagging world prices for these commodities, plus, in the case of Haiti, a decline of about 40 percent in the current coffee crop, due to cyclical and climatic factors, have made a severely adverse impact on the local economies.

Our entire aid program for Bolivia is undergoing a most searching review at the present time and its continuation is, of course, based on the assumption that the Government of Bolivia will cooperate fully in carrying forward appropriate measures to restore economic stability through its own efforts as well as with our help.

The long-term solution to Haiti's problem is a broadening of the economic base and stimulation of production. Rising standards of living will, we believe, contribute to greater social and political stability.

Meanwhile, the judicious use of grant-in-aid funds requested for balance of payments support and selected developmental work, along with long-term loans for investment in basic facilities such as roads, power, irrigation, and communications, will help to bridge the gap.

#### MILITARY ASSISTANCE

The military assistance program we have presented to the Congress this year is a relatively small program, taking into account the size of the area and the important U.S. interests the program is intended to serve.

It was reviewed carefully many times before it was submitted to the Congress, in order to insure that it contained only the minimum items necessary to give meaning to the Rio Treaty and meet U.S. commitments.

The Congress, however, has required, in the authorizing legislation, that the funds utilized for grant military assistance during fiscal year 1960 not exceed the amount of funds which have been obligated or reserved for military assistance for Latin America in fiscal year 1959.

This restriction will have the effect of limiting to about \$45 million the amount of funds that can be spent this fiscal year on the grant program. This means that our request to the Congress for about \$71 million in funds for that purpose—which is an adjustment of the figure in the books before you—has already been reduced by about \$26 million.

#### AMOUNTS ALLOCATED TO CUBA AND NICARAGUA

Senator SALTONSTALL. What is the attitude of the Government toward the difficulty going on in Cuba today and accusation back and forth, the countercharges and so on, in Nicaragua?

How many arms, for instance, have we delivered to Nicaragua for military assistance? How many arms to Cuba? Is this revolution, or whatever you call it, the fighting that is going on down there now, being assisted through arms which we have given to them?

Mr. SNOW. Senator, to respond to the first portion of the question, could I ask you what period you have in mind? Over how many years?

We have had military assistance agreements with Nicaragua, Cuba, and the Dominican Republic. None of them has been on a large scale, but we have had them for the past several years.

Are you thinking of the cumulative total, or some set period of time?

Senator SALTONSTALL. I am thinking of the cumulative total.

Mr. MURPHY. ——— for Nicaragua.

Senator SALTONSTALL. What for the other countries?

Mr. MURPHY. Cuba is ———, and the Dominican Republic, ———.

Senator SALTONSTALL. Thank you, Mr. Murphy.

What is your answer to my question with relation to those actual difficulties going on today? What would be the attitude of the Department if Congress grants the money this coming year?

Mr. SNOW. In the case of the Caribbean nations——

Senator SALTONSTALL. I do not like to specify any one nation.

#### EXPORT LICENSES FOR ARMS

Mr. SNOW. In the case of the Caribbean nations, for over a year now we have been proceeding very slowly in the granting of export licenses for arms and in the movement of arms through our military aid program with the very thought in mind that we did not wish to be contributing to the political tensions which obviously existed in the area.

We wished to take particular pains to see that we were not aggravating tensions by making arms unduly available.

Please have in mind though, Senator, that these countries all can and do obtain arms elsewhere. We are by no means the only source of supply. There have been purchases of arms in Europe, in the European countries, during the past year, by several of the Caribbean countries in question.

In response to the latter part of your question, Senator, it is my considered opinion, and I have thought about this quite a bit over the last 2 years, that our military assistance program has not been responsible for the increase in tension that has developed in the area and has not contributed to revolutionary movements.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Chairman HAYDEN. You may proceed.

#### NEEDS IN FIELD OF MILITARY ASSISTANCE

Mr. SNOW. I continue with the last paragraph on page 8 of my statement:

It would be difficult to overstate the difficulties which have been created for us by this legislation. For example, we have a firm commitment to provide one of the countries participating in this program with designated amounts of military assistance, and will require about \$22 million for this purpose in fiscal year 1960.

We need about \$14 million to rehabilitate retired U.S. naval vessels which the last Congress authorized for loan to several countries.

We require about \$9½ million for training, to be apportioned among 12 countries.

We should have about \$10 million to provide ASW aircraft to several countries which have agreed to help us defend the long coastlines of the hemisphere in time of war, and, finally, we need to spend about \$16½ million on maintenance support required to protect the U.S. investment in equipment which we have since 1952 provided countries participating in this program.

Obviously, it will not be possible to meet all of these requirements, which we consider minimum, within the limitation imposed by the authorizing legislation. This limitation will unquestionably retard the preparations we have been making for collective defense under the Rio Treaty and make it difficult to meet our commitments to countries participating in this program.

I can assure you that any further reductions will severely aggravate the very difficult problems already created by the present limitation and bring into question the intentions and good faith of the United States.

Any further reduction will have a negative effect on our political as well as military relations in some countries and impair our ability to maintain important military facilities and U.S. military training missions in the area.

#### COLLECTIVE HEMISPHERIC DEFENSE

I believe it is important for the committee to understand that the underlying theme of the Latin American program is collective hemispheric defense. The assistance we provide is intended for use when the countries of this hemisphere elect to act together against an aggressor. Collective action cannot be carried out effectively without advance planning, but planning, by itself, has little meaning if the participating countries do not have some capability to implement defense plans.

Latin American countries are themselves doing much to develop a capability for collective military action under the Rio Treaty.

Since the beginning of World War II, and especially since the Korean war, they have been reorienting their armed forces in the direction of collective defense of the hemisphere as a whole.

#### TRAINING IN U.S. MILITARY SCHOOLS

To accomplish this, they have requested U.S. training mission, which are now assigned to 18 countries, and are sending their military personnel to the U.S. military schools. The schools maintained by the Army and Air Force in the Canal Zone are two fine examples of the type of project supported out of funds appropriated for this program.

At these Canal Zone schools, Latin American military personnel are trained in a variety of skills, including communications and the maintenance and repair of vehicles and aircraft.

When the students return to their home countries, these skills are utilized, not only to serve a military purpose, but, also, in due time, to promote the economic development of Latin American countries.

#### DEFENSE MISSIONS UNDER RIO TREATY

Twelve of the Latin American countries have designated specific units of their armed forces for the performance of collective defense missions under the Rio Treaty. We, in turn, have agreed to contribute some of the equipment and training required for the maintenance and effective utilization of these units.

#### LATIN-AMERICAN CONTRIBUTIONS TO THE UNITED STATES

Finally, I believe we cannot ignore the Latin American contribution, during World War II, of military facilities and bases which contributed so much to our ability to move safely from the United States to Africa and Europe, the vast convoys of U.S. manpower and supplies that were required to win the war overseas.

Latin American countries today are permitting us to utilize their territory for important U.S. facilities, such as those we now maintain in the area in connection with the important ICBM testing program.

In closing, I would like to emphasize again that the Latin American program is designed to promote the security of the hemisphere as a whole, including the security of the United States. We will not be able to move forward this year toward the attainment of this objective and meet existing U.S. commitments if further restrictions, through reductions in appropriations, are imposed by the Congress.

(The statements of Brig. Gen. Frederick O. Hartel and Rollin S. Atwood follow:)

#### STATEMENT OF BRIG. GEN. FREDERICK O. HARTEL, DIRECTOR, WESTERN HEMISPHERE REGIONAL OFFICE, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS

Mr. Chairman and members of the committee, in support of U.S. policy objectives we have requested \$98.5 million to provide military assistance to Latin America in fiscal year 1960. Under section 105(b)(4) of the Mutual Security Act as amended by the Mutual Security Act legislation of 1959, the aggregate amount of funds which may be obligated or reserved during fiscal year 1960 for furnishing military assistance to American Republics shall not exceed the aggregate amount of funds obligated or reserved for such purpose during fiscal



year 1959. This restriction will allow accomplishment of only part of the total requirements programed for materiel and training to assist specified units of the 12 eligible Latin American nations in attaining a combat capability to participate in the furtherance of missions directly relating to the common defense of the Western Hemisphere.

Since the inception in 1951 of military assistance to Latin American nations under the mutual security program, grant assistance has been required by law to be furnished only in accordance with defense plans which shall have been found by the President to require the recipient nations to participate in missions important to the defense of the Western Hemisphere. The President on February 17, 1959, made the determinations for fiscal year 1959 and fiscal year 1960 pursuant to section 105(b)(4), as amended in 1958. The United States has bilateral military assistance agreements with Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Nicaragua, Peru, and Uruguay.

On the basis of the President's determination, the Department of Defense recommends continuation of the military assistance programs in order that these 12 countries may improve their capabilities for effectively accomplishing military tasks determined by the Joint Chiefs of Staff to be important to the defense of the Western Hemisphere in support of U.S. strategic concept.

The maintenance of internal security in the Latin American Republics does not come within the purview of the military assistance program in Latin America; therefore, we do not propose in this program that grant assistance be provided for that purpose.

In support of U.S. objectives and under the provisions of the Mutual Security Act of 1954, as amended, the United States has programed \$205 million in materiel and training through fiscal year 1959 to the 12 Latin American countries which have bilateral agreements with the United States. Of this amount it is estimated that \$217 million will have been delivered by June 30, 1959, leaving a balance of \$48 million to be delivered in fiscal year 1960 and later.

Training provided in U.S. Armed Forces training centers and schools in the United States and the Canal Zone is one of the most important objectives of the military assistance program. Through December 1958, 9,904 courses have been completed by Latin American students in these facilities through the military assistance program.

Another important aspect of attaining our objectives in the area is the sale of military equipment to Latin American countries. All 20 of the nations are eligible to purchase equipment and services under the mutual security military sales program. Under this program, Latin American countries have purchased \$172 million through June 1958.

The major program objective accomplished with fiscal year 1959 funds was the provision of the first increment of the special program for Brazil. Training and a limited amount of materiel was provided in support of those military assistance program units which are considered necessary for hemisphere defense.

Despite some political unrest in the Latin American area during the past year, the United States has received the continued cooperation of our Latin American neighbors. All countries in the area have continued to support free world policy and action in the United Nations. Brazil and the Dominican Republic provided sites in which we operate important stations for our long-range missile projects. Cuba continued to abide by its agreement in our operation of the U.S. Naval Base at Guantanamo Bay. U.S. military missions, the principal envoys of U.S. policy on standardization of military doctrine and equipment, remain predominant in the area.

Under the terms of the bilateral military assistance agreements between the 12 Latin American nations and the United States, each government by mutual agreement makes equipment, materials, services, or other military assistance available to the support of hemispheric defense units.

Each country contributes in accordance with its economic and military capability; similarly, the U.S. contribution varies with the requirements for each country's military contribution to the hemisphere defense concept, as well as economic and potential military capability. Political implications are also carefully considered.

The United States has heavy worldwide military personnel commitments and will have few military forces to spare for this area in the event of a major conflict. Therefore, it will be a military requirement for allied forces in Latin America to assist the United States in protecting the hemisphere in case of war.

During World War II it was necessary to station approximately 100,000 U.S. forces in Latin America in order to protect this area against Nazi aggression and infiltration.

The most positive threat to hemisphere security is submarine action in the Caribbean Sea and along the coast of Latin America. We can expect raider attacks against strategic bases, sea communications, and coastal installations, and the mining of ports and approaches. The fiscal year 1950 program request for grant assistance will provide equipment and services to continue developing an antisubmarine warfare capability to counter this threat. It will also provide equipment and services for Air Force and Army units which protect the airfields, bases, and seaports from which the antisubmarine warfare units will operate. In addition, these forces will provide protection for areas of strategic raw materials, lines of communications, and strategic bases.

The fiscal year 1960 request of \$96.5 million represents the minimum requirement to accomplish our fiscal year 1960 program objectives for Latin America. Section 105(b) (4), as amended by the Mutual Security Act legislation of 1959, will not allow the accomplishment of our fiscal year 1960 program objectives for Latin America.

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STATEMENT OF ROLLIN S. ATWOOD, REGIONAL DIRECTOR FOR LATIN AMERICA,  
INTERNATIONAL COOPERATION ADMINISTRATION

Mr. Chairman and members of the committee, it is a privilege for me to appear once more before this committee in support of the technical cooperation and special assistance programs for Latin America for fiscal year 1960. Other witnesses from Defense and State have testified on the military aspects of the mutual security program and the political, social, and economic situations of Latin America. In my current capacity I have been privileged to appear before this committee for several years on behalf of the nonmilitary component of the mutual security program for Latin America. In prior years I attempted to explain in some detail the basic programming procedures, the composition of programs, their main objectives and accomplishments. This year, if I may, I should like to concentrate on (1) the basic role of the bilateral program as related to the current situation in the region, (2) the financial aspects of the program and the relative contributions of the United States and the Latin American countries, (3) current activities and program accomplishments, and (4) proposed increases in the fiscal year 1960 program.

(1) BASIC ROLE OF THE PROGRAM IN RELATION TO THE CURRENT SITUATION

The U.S. technical cooperation program, for which we are requesting \$43.7 million in fiscal year 1960, is operating in 26 separate and distinct countries and dependent territories in Latin America. This program consists of U.S. contributions to each of the 20 country programs. During the last 12 months I have personally observed the programs in all of these countries except Cuba and have discussed the programs with the U.S. country teams. I can assure the committee that each country or territory has its own problems and its own program.

Latin America as a whole is at a crossroads in its development. It has been caught up in a dynamic tide of economic and social development which has been accurately described by many as "a whirlwind industrial revolution." It has come at a time when some countries are ready for development, some have gained political independence but are just beginning to break the shackles of feudalism, some are still in the last stages of gaining political independence and are struggling for truly representative institutions and governments.

The surging pressure of the people of Latin America for rapid material, social, and political advancement can be a great force for the strengthening of democratic ideals and concepts in this hemisphere. However, unless tangible evidence is readily available that the aspirations of individuals can be realized under a free enterprise, democratic approach, then this great and growing force could become susceptible to exploitation by enemies of the free world.

Communist efforts at increased influence in Latin America cannot be understood if we limit our attention to headline-catching bloc probes such as the present one on Berlin. In jealously guarding their freedom and national rights, Latin American countries will carefully scrutinize all bloc trade and aid offers. We must also recognize the short-term advantage available to the bloc since they can concentrate on seemingly attractive trade and aid offers primarily designed to

attain political objectives. Examples of bloc offers which gain political favor are the recent heavy purchase of wool in Uruguay, the \$100 million credit to Argentina, and offers to Bolivia for oilfield equipment and other capital goods.

Latin American countries must simultaneously assure political and social advancement to meet the increasing demands of its people for a greater role in determining their own destiny and for demonstrable progress in an improved level of living. It is essential that each country establish basic institutions to direct soundly its economic and social development. The technical cooperation program is helping in this great task by providing an international exchange of technical knowledge and skills and by helping the Latin American countries to establish the institutions necessary for their economic development.

Special assistance is another vital component of the mutual security program in Latin America. The committee will note that we make use of special assistance in Latin America only in selected situations, as evidenced by comparing the size of the proposed fiscal year 1960 program (\$27.6 million) with the proposed program for technical cooperation (\$43.7 million) or with the worldwide proposed program for special assistance in which Latin America comes in for little more than 10 percent. Under present circumstances the role of the special assistance program in Latin America is to help prevent economic chaos and build solid economic foundations in Bolivia and Haiti. Special assistance is also being provided certain countries for the training and equipment of engineering construction units and for public safety programs.

It is our hope and belief that with appropriate guidance and assistance provided by the mutual security programs, the Latin American countries can maintain their rapid pace of economic and social development along democratic lines. With the assistance of the technical cooperation program, the improving management of the vast human and natural resources of Latin America will strengthen steadily its position and importance in world affairs. It is essential that this growing power and influence remain steadfast to the cause of freedom.

## (2) THE FINANCIAL ASPECTS OF THE PROGRAM: RELATIVE CONTRIBUTIONS OF UNITED STATES AND LATIN AMERICAN COUNTRIES

If you will allow me, I would now like to give you an overall view of the present status of funds of the mutual security program in Latin America. I have excluded fiscal year 1959 funds from this discussion, as it is difficult to give a meaningful account of a fiscal year which ended only 6 weeks ago.

On page 3 of the regional book, cumulative obligations for economic assistance to Latin America from July 1, 1951, to June 30, 1958, are shown as totaling \$340 million. This total is composed of \$162.1 million obligated for special assistance and \$177.9 million for technical cooperation.

Of the cumulative obligations totaling \$340 million, \$35.9 million or 10.5 percent remained unliquidated as of May 31, 1959, broken down as follows: \$26.2 million in special assistance and \$9.7 million in technical cooperation. The unliquidated balance in the technical cooperation program represents a normal minimum pipeline for programs of this type. The other balance is partly due to circumstances of various kinds, on which I know the committee will be interested in receiving more information.

A large single unexpended element in the special assistance category is in loans. Pursuant to section 181 of Public Law 726, approved in July 1956, ICA signed loan agreements during 1957 with seven Latin American countries totaling \$12.8 million, and granted \$2 million to the Organization of American States for malaria eradication and to improve the facilities of the Inter-American Institute of Agricultural Sciences in Costa Rica. Out of the \$12.8 million loan program, \$9 million remained unliquidated as of May 31, 1959. The executive branch had not programmed loan funds for fiscal year 1957; ICA accordingly had to spend many months evaluating country requests for loans, making preliminary studies necessary to develop sound projects, and negotiating valid loan agreements with the seven recipient governments. This preparatory phase is now well behind us, and the loan program is presently in process of full implementation. Satisfactory progress has been made on several projects, on which I will report in a later section of this statement devoted to current activities.

In the balance of the special assistance category, there remained \$17.2 million in unliquidated obligations as of May 31, 1959. Of this amount, \$9.5 million represents the unliquidated balance of the program of grant economic aid to Guatemala, which totaled \$40.6 million from its inception in fiscal year 1954 through fiscal year 1958. Part of the delay in the completion of this program

is due to the nature of this program and partly to the turbulent conditions which have prevailed in Guatemala since the assassination of President Castillo Armas in July 1957. The existence of abnormal conditions inevitably slow down the implementation of economic programs. It should be noted also that the greater part of the unliquidated funds in the Guatemala program (80 percent) are funds appropriated in fiscal year 1958. We do not consider as unduly excessive the delay in implementation of this type of program, which includes cadastral land surveys, agricultural credit, land clearing and road construction. I should like to emphasize that no grant aid program for Guatemala was requested in fiscal year 1959 nor this year. Economic assistance to Guatemala is now handled by loans, not grants.

The mutual security program in Latin America is a cooperative program in the full sense of the word. In recent years, with increased emphasis on strengthening the basic skills and institutions needed in sound economic development efforts, the contributions of the cooperating countries have constantly increased. This voluntary assumption by the host countries of a growing share of basic responsibilities applies to all phases of the bilateral program including joint personnel, joint planning, host country program operations, and joint financing.

To illustrate, contributions, both in cash and in kind, by the Latin American cooperating countries to the technical cooperation program rose from \$40.8 million in fiscal year 1956 to \$47.3 million in fiscal year 1957, reaching to approximately \$53 million in fiscal year 1958. We anticipate that these host government contributions may go as high as \$60 million in fiscal year 1959. Contributions by the Latin American countries are not limited to the technical cooperation program. For example, against the \$22.3 million in special assistance funds which ICA provided to help the Government of Guatemala finance the construction of the Atlantic and Pacific Slope highways in Guatemala, the host Government contributed \$17.4 million in addition to the \$18.2 million in loan funds which it obtained from the World Bank.

#### *Joint personnel*

The substantial increase in number of host country personnel assigned to joint activities indicates not only the growing awareness of the importance of these projects to economic development, but also the realization by the host country of the need for a larger supply of trained personnel. The majority of the technical cooperation projects are administered under the cooperative service device, commonly referred to as a *servicio*. At the present time, there are 53 *servicios* in operation in 17 Latin American countries and one dependent territory in the Western Hemisphere.

A major aspect of the projects being carried out by the cooperative services is that of providing in-service training to local employees working on these projects. As of December 31, 1958, there were some 10,500 local employees of *servicios*. Of these, 6,085 are classified as professional or subprofessional personnel who, in carrying out their assignments, are receiving valuable in-service training and on-the-job experience. Other local employees of the *servicios* who also receive direct or indirect training in connection with their jobs include some 3,005 administrative and clerical personnel. Finally, there are some 9,450 unskilled workers or laborers working on *servicio* projects, many of whom will become skilled workmen.

These 10,500 local employees of the *servicios* are under the technical guidance of 500 U.S. technicians assigned to the country programs for that purpose.

#### *Joint planning*

Since basic determinations as to development approach, pace, and emphasis must be made by the sovereign countries with which we cooperate, a serious problem has been the general absence of adequate central planning entities. Although much more remains to be done, significant strides have been taken in meeting this problem during the past few years. Officially designated central planning groups have been set up in eight countries, and plans for such groups exist in several other countries.

#### *Host country program operations*

Another very important element in the concept of the cooperative service program involves the rate of transfer, or turnover, of projects to an agency of the host government to administer, maintain, and operate. During the 9-year period from January 1, 1950, through December 31, 1958, a total of 1,400 such projects were completed or terminated by the cooperative services. Of this

number, 1,000 projects were taken over by the host government ministry or agency to operate and maintain on a continuing basis. You will find attached to this statement a breakdown table of these projects by country, and a narrative sampling giving the history of a number of projects transferred to host Governments (annex 1).

#### (B) CURRENT ACTIVITIES AND PROGRAM ACCOMPLISHMENTS

##### *Technical cooperation*

The technical cooperation program is essentially a training and demonstration program which applies various methods in transmitting technical knowledge and skills. The role of *servicios* in the technical cooperation program was described briefly in the previous section of this statement. Another training method consists of placing Latin American trainees, known as participants, in educational institutions or temporary in-service positions in the United States or in Latin America, to improve their proficiency in subjects important to economic development, such as engineering, agriculture, education, public health, public administration, and economics. In fiscal year 1958 ICA contributed \$5.1 million for the training of over 2,000 participants from all 20 of the Latin American Republics and the 6 dependent territories in which a technical cooperation program is conducted. Of these trainees, 1,272 received their training in the continental United States, 418 in Puerto Rico or the Canal Zone, and the remainder in various Latin American countries. Training under this program is generally limited to 1 year or less; all trainees are committed to return to their home country to work in the field in which they received training. At the end of my statement I have attached an illustrative report on certain Peruvian nationals who have received training in the United States (annex 2).

Still another effective training method which ICA uses extensively is to contract with U.S. universities for the implementation of selected training programs in Latin America. As of March 31 of this year, 12 U.S. universities were taking part in this program in 10 Latin American countries under 16 contracts with ICA. A list of these contracts is attached to this statement (annex 3). To illustrate at random, the University of Tennessee is conducting training programs in public administration in Bolivia and Panama; Tulane assists the National University of Colombia in its medical education program; Michigan State University and the University of Michigan are assisting in programs in business administration, teacher training, agriculture, and vocational education in Brazil, Colombia, and Mexico.

As I stated before, the technical cooperation program is a program of demonstration and training. Any services offered or any equipment or commodities provided are essential to demonstration and training. For example, one or more bulldozers may be needed to train operators in land clearing or highway construction. Or a quantity of vaccines may be purchased to demonstrate the operation of community immunization programs. But in all such cases where equipment or commodities are furnished, the primary intent and purpose are as tools of demonstration and training.

In terms of figures, ICA uses as a rule of thumb a maximum of 20 percent of the total dollar cost of any given country program in equipment or commodities necessary for training purposes. In Latin America the percentage is well below this maximum percentage. To take fiscal year 1958 as an example; our records identify only \$879,000, or 8 percent, of the total ICA-administered technical cooperation program of \$20.8 million, as used to finance directly the procurement of equipment or commodities. Additional equipment or commodities was financed from the ICA cash contributions to the *servicios*. Our records indicate that the *servicios* utilized no more than 50 percent of these cash contributions for equipment or commodities; therefore the grand total of equipment or commodity procurement for the fiscal year 1958 technical cooperation program in Latin America was only 14 percent of the total program.

As mentioned earlier in this statement, a major element of *servicio* projects is the in-service training of local employees working on these projects. The fact that there were, as of December 31, 1958, 19,500 local employees of the *servicios* being trained by 506 U.S. technicians is further evidence that technical cooperation is basically a program of demonstration and training.

I would now like to say a few words about current activities under our special assistance programs, namely, loan projects, assistance to Bolivia and Haiti, and projects for engineering construction units.

*Special assistance loan projects*

Earlier in this statement I gave this committee a brief financial résumé of the Public Law 726 loan program and mentioned that ICA had negotiated loan agreements with seven countries under the authority of this program. These agreements are:

[In thousands]

| Country    | Amount | Description  |
|------------|--------|--|
| Chile      | \$850  | Equipment of scientific laboratories in 7 Chilean universities, and of 1 modern scientific library.  |
| Costa Rica | 2,000  | Reconstruction and equipment of children's hospital in San José.   |
| Ecuador    | 2,000  | Land clearance and construction of access roads for settlement of new areas in Santo Domingo Province.   |
| Honduras   | 3,000  | \$1,750,000 for the development of the Guaymas Valley; and \$1,250,000 for the construction of 20 water supply systems and 3 sewerage systems. |
| Panama     | 2,000  | Construction of a water distribution system and improvement of a sewerage system in a suburb of Panama City.                                   |
| Paraguay   | 1,000  | Assistance to Agronomic cooperation societies in developing small industries.  |
| Peru       | 2,000  | Construction of road into area of new settlement.  |

We have received encouraging information about progress under this program. In Chile, the universities concerned are placing orders for the projected scientific equipment. The deputy director of our mission in Ecuador visited the new settlement site in March of this year, and reported being greatly impressed with the work done; considerable progress had been made in preparing the site to receive the settlers through land clearance and the construction of roads and buildings. The first group of colonists was being selected, as well as a new area for colonization. The present area consists of 25,000 acres, to be divided into economic farming units. In Honduras, 8 water systems and 1 sewer system have been completed out of the 20 water systems and 3 sewer systems projected; the balance will be completed in about 1 year. Over 40,000 persons will be served by the new water systems. I am attaching to my statement a report recently received from our mission in Peru on the progress made in constructing the road into the San Gaban Valley (annex 4). This project will have an important effect on opening up new areas of Peru to settlement.

*Special assistance in Bolivia and Haiti*

The special assistance programs in Bolivia and Haiti are both intended to prevent further economic deterioration in those two countries. Of the \$18 million obligated for Bolivia from fiscal year 1959 special assistance funds, \$12.2 million represents cash grants to support the Bolivian monetary stabilization program, agreed upon between the United States, Bolivia, and the International Monetary Fund. The balance of \$5.8 million is being used for commodity imports essential to the normal economic life of the country: \$3 million in sugar imports, \$1 million in U.S. surplus foods under section 402 of the Mutual Security Act; the remainder, amounting to \$1.8 million, consisting primarily of machinery, equipment, fertilizers, and other basic commodities. The local currency proceeds of these commercial imports will be used for mutually agreed upon development projects in Bolivia.

*Engineering construction units*

Bolivia also participates in the program for equipping and training engineering construction units within the armed forces in semicivilian activities related to economic development. The U.S. contribution to this program is financed on a regional basis from special assistance funds. On February 28, 1958, two Bolivian engineering construction units of battalion strength were approved to receive \$450,000 with which to buy civilian-type construction equipment and spare parts. The equipment which was secured from excess stock in the United States was delivered by October 21 of the same year. Specific projects were established which were to be the exclusive responsibility of the engineer units. These involve the improvement and maintenance of stated sections of roads. The technical specifications of the projects were worked out between the Bolivian road service and the ICA mission. The road service also provided a resident engineer and inspectors at the site of the work. For

purposes of morale and to improve the work capabilities of the men, ICA provided a supplemental food ration equivalent to about 25 cents per man per day. It is too early to fully evaluate the contribution of the engineering construction unit program to the economic development of the country concerned. However, every indication is favorable and officials having intimate concern with the program are optimistic and enthusiastic. Similar projects to those in Bolivia are under way in Honduras and Paraguay. As stated on page 278 of the regional book, all indications point to increased emphasis on this program in fiscal year 1960.

#### *Program accomplishments*

In all our programs, we strive to assist those projects intended to produce concrete achievements in (1) reaching a large number of people, (2) developing host country institutions necessary for economic development, and (3) contributing to the growth of the country's economy, particularly in the private sector. Each country program narrative in the regional book for Latin America contains a section giving examples of accomplishments in the mutual security programs administered by ICA. In addition, I have placed at the end of my statement two reports from our field missions in Panama and Colombia (annexes 5 and 6). If I may, I would also like to expand on this subject for a few moments.

The first example is the agriculture servicio in Bolivia, which is accomplishing the twin objective of grassroots impact and institutional development. During the last 18 months, 47 extension agents and 37 home demonstration agents of the agricultural servicio have given 22,000 demonstrations reaching an estimated 351,000 people. This does not include the work of the home economics section of the same servicio which during the same period, gave 4,308 demonstrations to 74,000 people on home improvement, nutrition, clothing, health, and sanitation. The more than 400 Bolivian 4-S Clubs (patterned after our 4-H Clubs) have doubled their membership to 7,384 boys and girls. Through the combined efforts of 4-S club members and their parents 10 schools have been built, 2 bridges and 18 feeder roads constructed, and several hundred other major community betterment projects completed.

This example has given the accomplishments of a national agricultural extension service and the rural youth clubs in one country. Fourteen countries in Latin America now have national extension services, staffed by 1,447 extension agents and 441 home economics demonstrators. Throughout Latin America, there are 1,864 youth clubs in 16 countries, with a combined membership of 25,000 members. These clubs reach a larger number of people through a great variety of community projects.

Another case of a project reaching dual objectives is that of the training-within-industry program in Brazil, in the Province of Sao Paulo. This project was of considerable value to Brazilian industry, while at the same time becoming a permanent provincial institution important to the economic development of the Sao Paulo Province. On October 27, 1958, U.S. technical assistance to the training-within-industry program formally terminated, and responsibility for operations was transferred completely to the Technical Assistance Services Training Office in the Secretariat of Labor, Industry, and Commerce of the State of Sao Paulo. In the 7 years that TWI operated as a joint project, over 27,000 middle management personnel (supervisors and foremen) were trained for 1,281 companies. Because of the "multiplier approach", it can be conservatively estimated that over 270,000 people have received some benefit through this project, since each supervisor trained in turn will himself train at least 10 other foremen and middle management personnel.

#### (4) PROPOSED INCREASES IN THE FISCAL YEAR 1960 PROGRAM

##### *Technical cooperation*

In the requests before you, we propose to increase our total bilateral technical cooperation program in Latin America from about \$34.9 million in fiscal years 1959 to \$43.7 million in fiscal year 1960. This is exclusive of our contribution to the technical cooperation program of the Organization of American States, for which we are requesting \$1.5 million in fiscal year 1960. The \$8.8 in additional funds requested for ICA-administered programs are considerably less than the amount recommended by our field missions and are considered to be the minimum required to achieve our major objectives in fiscal year 1960.

In terms of cost components, the increase can be broken down as follows: \$2.2 million for the training of an additional 400 participants either in the United States or in Latin America; \$3.4 million for contract services to conduct surveys and studies essential to economic development plans and projects; a modest increase of \$100,000 for supplies and equipment, and of \$800,000 in general support costs, which we call other costs; an increase of \$900,000 in contributions to servicios, which will be used mainly to expand the operations of the agriculture and education servicios in Brazil (\$405,000) and the education servicio in Honduras (\$400,000). Finally, additional U.S. technicians required to implement this expanded program, and numbering about 100, account for \$1.6 million of the proposed increase in the TC program for fiscal year 1960.

On a country-by-country basis, Brazil accounts for the largest increase, amounting to almost \$2 million, followed by Honduras (\$650,000), Chile (\$530,000), Haiti (\$450,000), and \$400,000 each for the relatively new ICA programs in Argentina and the eastern Caribbean.

The proposed increase in the technical cooperation program in Brazil for fiscal year 1960, shown on pages 42 and 43 of the regional book, is essentially designed to establish, upgrade, and improve Brazilian educational institutions in the fields of agriculture, public and business administration, and engineering. The program is intended to assist Brazil to increase the availability of trained manpower necessary for more efficient management of its resources.

More than half of the proposed increase for Brazil represents the cost of training over 450 participants as against 300 in fiscal year 1959, and for 20 additional U.S. technicians. The majority of the new technicians will be used for secondary and industrial education projects and for activities in the fields of agriculture and public administration with the latter project providing the direct assistance to the Central Management Agency of the Brazilian Government. Major increases are proposed in participant training in these same fields of education, agriculture, and public administration. However, the increase in the participant cost component also includes increases in the fields of labor, industry, and mineral resources.

The aeronautical engineering project in Brazil will require an additional \$120,000 to cover the contract services costs of establishing a pilot, model engineering college. Another increase in contract services of nearly \$100,000 will provide for assistance in the establishment within the framework of existing Brazilian institutions of strong and effective technical information services for dissemination of advanced technical information in support of training activities of the Brazilian Government in such fields as agriculture and public health.

Increased servicio contributions in the fields of agriculture and education account for \$405,000 of the proposed increase for Brazil and will be used in furthering the project goals of these jointly financed cooperative service organizations. The final element of increase in Brazil's technical cooperation programs includes the important technical support project which provides support to all other operating projects and includes the salaries of local employees, language orientation and pro rata services essential to efficient program operations.

The proposed increase of \$530,000 in the technical cooperation program in Chile for fiscal year 1960, shown on pages 56 and 57 of the regional book, is much lower than the requests received from the U.S. country team in Chile, and would be used to train approximately 242 Chilean participants as against 183 in fiscal year 1959, and for the expansion of training contracts with U.S. universities initiated in previous fiscal years. The major participant increases are in the fields of labor, public administration and agriculture. The added emphasis to be placed on the training of labor leaders is due to the fact that Chilean labor is expected to play an important role in the program of the new Chilean Government which took office in November 1958. The Chilean Government is concentrating on stimulating production in the private enterprise sector of the economy. In further support of the efforts of the Chilean Government in this matter, contracts would be placed with U.S. universities for the purpose of strengthening Chilean training institutions in industrial skills, geology, and economics.

Technical cooperation in Argentina in fiscal year 1960 will stress the training of over 100 Argentines in the United States in livestock, engineering and management. The increase of \$400,000 proposed for fiscal year 1960 is partly due to the fact that the ICA mission was established in Argentina in fiscal year 1958. The proposed fiscal year 1960 program is the result of the planning done



by ICA since that time, and reflects the importance which we attach to Argentina and to supporting its development program.

A principal deterrent to the attraction of additional investment and the availability of credit capital is the lack of surveys and studies to determine priority development needs and to adequately engineer key development projects. Accordingly, \$1.8 million of the proposed increase of \$2.3 million for fiscal year 1960 in technical cooperation, shown under regional programs on page 278, is planned for assistance in undertaking such surveys and studies. Contracts totaling approximately \$300,000 would also be made for surveys leading to improvements in facilities in Latin America devoted to training in fields related to economic development. A \$100,000 contract with the National Academy of Sciences in fiscal year 1959 will permit preliminary inquiries in this direction.

It can be seen from the foregoing that the fiscal year 1960 technical cooperation program will seek to intensify technical training in Latin America to maintain the dynamic pace of economic development of the region, and to attract and service additional private investment. The language problem and the level of required training limit the number of Latin American trainees who can profitably come to the United States. Although use of Puerto Rico as a training area eliminates the language problem for most Latin American countries and largely meets the problem of the level of training, facilities in Puerto Rico and elsewhere are limited, while the demand is constantly growing. Accordingly, development and expansion of host country and third-country training facilities in Puerto Rico, Mexico, Brazil and other countries would also be encouraged from regional technical cooperation funds in fiscal year 1960.

In programs of this nature, continuity is essential and it is preferable that whatever funds are appropriated should not include the requirement that they be expended within any fixed time period.

#### *Special assistance*

Now turning to the special assistance program in Latin America, we are asking for an overall increase from \$26 million in fiscal year 1959 to \$27.8 million in fiscal year 1960, although it is proposed to reduce some of the items in this program. The program would provide for continuation of assistance to Bolivia and Haiti and for a substantial increase for engineering construction units and public safety programs.

#### *Bolivia*

In view of the political and economic situation in Bolivia, it is essential to the interests of the United States that special economic assistance be continued to permit the Bolivian Government to act effectively and avoid possible economic and political chaos. Continuation of special assistance for Bolivia, outlined on page 27 of the regional book, would be in support of its current vital stabilization program and for selected projects aimed at the achievement of sound economic development.

#### *Haiti*

In Haiti, the special assistance proposed for fiscal year 1960, as shown on page 146 of the regional book, is deemed equally essential to prevent a chaotic economic and political situation from arising which could seriously prejudice U.S. interests in the Caribbean area. While all special assistance is shown in the regional book as supporting economic development, it has become evident that a portion of the funds will be used as needed to assist in the current critical budgetary and balance-of-payments situation.

The regional and undistributed special assistance funds for fiscal year 1960, shown on page 278, would be used for anticipated increased requirements for engineering construction units and public safety projects, which cannot yet be programmed bilaterally with the individual countries concerned. Details of these proposals are included in pages 278 to 284 in the Latin America regional book.

#### SUMMARY CONCLUSIONS

In conclusion, may I note that the proposed increased aid levels are intended to permit (1) a further strengthening of the demonstrational and training aspects of the technical cooperation program, (2) the required added emphasis on institutional development, (3) facilitating, through surveys and planning, the flow of additional required capital from available private and public sources, and (4)

preventing situations of political and economic chaos from developing in Bolivia and Haiti.

The revolutionary drives in Latin America, except in the overseas territories, where political independence is also a factor, are caused by and sustained by a refusal to tolerate feudal or colonial economic and social conditions. The people will tolerate no longer the lack of adequate protection against disease, the lack of education, and, most important, the lack of any hope that they can achieve their economic and social goals without sacrificing political independence. It is imperative that we understand fully the real significance and the immediate challenge posed by the economic and social revolutions underway in this hemisphere. We must never forget that a powerful force, based on an ideology and economic system alien to our free ideals and principles, confronts all of us in this hemisphere. Immediate, intelligent action on our part is called for.

#### ANNEX I

##### *Completed servicio projects in Latin America 1950-58*

| Country                         | Transferred to host government | Completed with U.S. assistance and phased out | Total | Typical project duration (years) |
|---------------------------------|--------------------------------|---|-------|----------------------------------|
| Argentina <sup>1</sup>          |                                |   |       |                                  |
| Bolivia                         | 34                             | 15  | 49    | 3.7                              |
| Brazil                          | 332                            | 92  | 424   | 4.0                              |
| Chile                           | 57                             | 8   | 65    | 4.7                              |
| Colombia                        | 18                             | 4   | 22    | 8.3                              |
| Costa Rica                      | 39                             | 15  | 54    | 1.8                              |
| Cuba <sup>2</sup>               |                                |   |       |                                  |
| Dominican Republic              | 1                              | 0   | 1     | 0.8                              |
| Ecuador                         | 108                            | 16  | 124   | 2.0                              |
| El Salvador                     | 52                             | 1   | 53    | .4                               |
| Guatemala                       | 1                              | 0   | 1     | .1                               |
| Haiti                           | 79                             | 7   | 85    | 2.3                              |
| Honduras                        | 115                            | 13  | 128   | .3                               |
| Mexico                          | 12                             | 89  | 101   | 4.0                              |
| Nicaragua                       | 22                             | 6   | 28    | 4.6                              |
| Panama                          | 15                             | 10  | 25    | 2.6                              |
| Paraguay                        | 15                             | 15  | 30    | 4.0                              |
| Peru                            | 67                             | 14  | 111   | 4.0                              |
| Uruguay                         | 11                             | 5   | 16    | 12.0                             |
| Venezuela                       | 80                             | 0   | 80    | .3                               |
| Dependent overseas territories: |                                |   |       |                                  |
| Eastern Caribbean <sup>1</sup>  |                                |   |       |                                  |
| British Guiana <sup>1</sup>     |                                |   |       |                                  |
| British Honduras <sup>1</sup>   |                                |   |       |                                  |
| Jamaica <sup>1</sup>            |                                |   |       |                                  |
| Surinam <sup>1</sup>            | 3                              | 0   | 3     | 2.3                              |
| Total                           | 1,090                          | 310   | 1,400 |                                  |

<sup>1</sup> USOM established 1953 and has no servicio operations.

<sup>2</sup> No servicios in USOM during period covered.

#### ANNEX I

##### PROJECTS TRANSFERRED TO HOST GOVERNMENTS

A growing number of projects which were begun with mutual security assistance are now being carried out solely by the host governments or by private enterprise. These are projects in which the U.S. Government is no longer actively participating. They represent a few of the projects in which our objectives have been met and which illustrate the scope of the entire program.

During the 17-year history of the Institute of Inter-American Affairs, projects have been conducted in a wide variety of activities although the concentration has been in the fields of agriculture, health and sanitation, and education. Changing methods of administration during this period have shifted the emphasis of the program concentration in fields of activities and have also changed the project concept. The preceding table gives precise figures on how many projects have been completed and turned over to the host governments for their operation between January 1, 1950 and December 31, 1958. However, many more projects were completed in the period 1942-49. It must also be recognized that

changing administrations in 20 republics and 4 dependent overseas territories must lead to difference in attitudes and objectives on the parts of these governments. The basis upon which projects are initiated is a project request on the part of the host government. While we recognize that governments in Latin America change, sometimes with amazing and disrupting rapidity, too often we tend to identify the term "host government" as an unchanging element as far as its desires for economic development are concerned. But this, too, is a dynamic factor influencing not only the initiation of projects but also their continuation and termination.

A simple listing or enumeration of the projects originally initiated by the technical cooperation program which have subsequently been turned over to the host governments is not sufficient to emphasize dramatically the role which these projects play in the general economic development of Latin America. For this reason, a number of projects have been selected for description which will show the variety of activities encompassed by the program and which demonstrate the contribution that these have made to economic development.

Illustrative examples of projects which have been turned over to the host governments recently and which are still being carried on without additional U.S. support are listed below:

#### *Bolivia*

In early 1955 the Cooperative Agriculture Service initiated a project for the purpose of demonstrating the advantages of mechanized farming techniques, training Bolivian operators, repairmen, and farmers in the use of modern farm equipment. A machinery pool, organized in the fertile Cochabamba Valley, had successfully demonstrated the advantages of the use of agricultural machinery. Prior to the initiation of the stabilization program, there were no established machinery dealers or operators in the area. In July 1957 a lease-purchase arrangement was negotiated with a former employee transferring to him a number of tractors with accessory farm implements. Some technical assistance was provided this entrepreneur after the transfer. The volume of work completed and the satisfactory organization and operation of this new private enterprise has proved the success of the training this man has received. In December 1957 two more lease-purchase agreements were made. The success of these transfers is especially significant as no other sizable machinery operations on a custom-hire basis have been in existence in the Cochabamba Valley.

#### *Brazil*

In May of 1956 a project was initiated to strengthen the Brazilian Institute of Municipal Administration (the IBAM) to promote more efficient administration through demonstration, training, technical assistance, and the dissemination of information on improved administration techniques. The IBAM with the participation of a leading weekly magazine, *O Cruzeiro*, launched an annual "Contest of Municipalities" to discover the cities which during the year had made the most progress in improving their administration. This contest was similar to the one sponsored by *Look* magazine in the United States. The winners were given diplomas by the President of the Republic. IBAM personnel were given training grants in municipal administration in the United States and IBAM was authorized to sponsor personnel of other cities for similar training. Since the completion of the project agreement in May of 1957, IBAM has continued to increase its membership, has bought its own headquarters building, sponsored a third successful "Contest of Municipalities," published technical books and pamphlets, given technical assistance to increasing numbers of municipalities, and received financial contributions from the Brazilian Government and from the states and municipalities which are members.

#### *Chile*

A program for the provision of more nearly adequate health facilities outside the capital area was initiated in 1948 with a program for the construction of a series of health centers in rural areas. The purpose of this project was to equip these health centers so as to demonstrate the operation of a well-integrated health service in various localities. The maintenance and continued operation of these health centers was transferred to the National Health Service in October 1952. A related activity was the concentration of efforts in the provinces of O'Higgins and Colchagua emphasizing rural health and sanitation. The purpose of this project, initiated in February 1952, as to instill in the rural populace the concept of importance of hygiene and to demonstrate methods of providing modern

sanitary facilities in rural areas. The activities under this project included the digging of deep wells, construction of potable water supply systems, and providing small sanitary services in the villages. The activities of this project were transferred to the National Health Service in January 1956.

#### *Colombia*

The Cooperative Public Health Service in Colombia began operations in February 1948. Since then 80 projects have been turned over to the Ministry of Public Health. Of these, 42 were assistance in the construction of hospitals, health centers, nursing schools, and laboratories. Fourteen were communicable disease projects. Seven were engineering projects. Two were nursing projects and one was a gopher control project. The modern health center at La Dorada is typical of the early operations of the Cooperative Health Service. This was one of five locations chosen for the establishment of a health center which would provide services including the identification and control of TB and venereal diseases, the initiation of preschool and school hygiene programs, prenatal and dental care, and antimalarial and environmental sanitation control. This health center was operated until December 31, 1951, when it was turned over to the Ministry of Public Health.

#### *Costa Rica*

In 1948 an agricultural extension service project was initiated for the purpose of developing a countrywide agricultural extension service. Offices were operated in 33 of the principal agricultural producing areas of Costa Rica. Farmers were given technical assistance in soil conservation irrigation and drainage, use of fertilizers, insect and disease control, information on improved agriculture practices, livestock and pasture improvement and management and guidance in the improvement of rural hygiene, diet, and rural living conditions in general. 4-H Clubs, modeled after the 4-H Clubs of the United States, were organized for the youth of the rural areas. In January 1950, by an act of the Costa Rican Legislature, the extension service was transferred to the exclusive jurisdiction of the Ministry of Agriculture where it continues to operate as a regular ministry agency.

#### *Haiti*

In February 1947 a project was initiated to convert an unused public market into a maternity clinic capable of providing 100 beds and the minimum equipment needed to open the hospital to the public. Since June 1951 when the Haitian Government was assigned full operating responsibility for this maternity center, it has developed into an important maternity facility which has gained the acceptance and confidence of the people.

#### *Honduras*

In 1952 and 1953 an invasion of grasshoppers threatened sizable areas of Honduras and actually destroyed large areas of crops. At the request of the Ministry of Agriculture, the Cooperative Agriculture Service undertook to direct a large-scale campaign to control the grasshoppers. Special funds were contributed by the Ministry of Agriculture and additional assistance was received from the Central American Grasshopper Organization. A helicopter from the U.S. Air Force was brought in during the height of the campaign and was used for spraying the more inaccessible areas. During this 2-year period of the intensive campaign, its success served as an excellent demonstration of the effectiveness of the Cooperative Agriculture Service. It demonstrated the possibility of having flexible administration in a governmental unit capable of meeting emergency situations without disrupting seriously the normal operations. In December 1954 this project was transferred to the Ministry. A continuing grasshopper control program is now carried out with the personnel trained during the period of U.S. collaboration, though on a reduced scale now that the grasshopper problem has been brought under control. This group, however, has the experience and trained personnel which could be brought into play immediately if another grasshopper invasion should occur.

#### *Mexico*

In August 1958 a project was initiated for the purpose of providing technical and economic support for the development and improvement of nursing services and nursing education in hospitals and public health agencies, and for strengthening nursing as an accepted profession for young women. These ac-

tivities were carried on through the Department of Nursing of the Ministry of Public Health and Welfare, the School of Public Health, the Division of Nursing Education of the National University and a number of technical and service divisions in the Ministry of Health and Welfare. These activities which are now being carried out solely by the the Bureau of Experimental Studies in Public Health (a part of the Ministry of Health and Welfare) have served to improve the status of nurses by giving them more adequate technical knowledge thereby gaining for them increased confidence on the part of the medical profession and the public.

#### *Panama*

Increased consumption of poultry can be an important and inexpensive means of improving the protein content of the diets of people in underdeveloped areas. In recognition of this fact, a program was initiated in November of 1953 to create a national source of chicks and fertile eggs in an effort to introduce modern methods of poultry care through demonstration, and to provide a higher quality of poultry stock in selected areas of the country. By the end of 1957 the success of the demonstration programs was such that private producers could successfully operate. There was sufficient demand for the improved stock that it was feasible for private entrepreneurs to undertake the breeding of high-quality chicks and to eliminate the need for their importation. Since private enterprise had successfully entered the field, the need for the demonstration project no longer existed and it was terminated in December 1957. The poultry plant and equipment were transferred to the National Institute of Agriculture for use in basic research and as a source of supply for the National Extension Service. An interesting outgrowth of the poultry program has been its effect on the demand for corn for use as a poultry feed. Corn prices had historically fluctuated widely during the year but the increased demand made it feasible to construct storage facilities which served to eliminate the wide swings in prices thereby benefiting the corn producers in that they had a more stable market for their product throughout the crop season. It has been estimated that this has contributed significantly to the 20-percent increase in farm income during the last year. The importance of this increase is made doubly impressive when you note that 85 percent of the population of Panama is dependent on agriculture for a livelihood.

#### *Paraguay*

The project to demonstrate the advantages of providing mixed feed for livestock was introduced in Paraguay in November 1946. A small mixing plant was established to provide a mixed feed with mineral supplements for dairy cows. As dairymen saw for themselves the increased production of milk brought about by feeding balanced rations and learned the convenience of using mixed feeds, demand increased to the point where commercial production was feasible. The first commercial plant was set up by a Paraguayan businessman in 1949. In 1951, sales of mixed feed by the project were discontinued, and in 1953 all production of feed for the use of the project was terminated as commercial feed was purchased for its own dairy animals. Today there are eight mixed feed plants in operation in the Asunción area, one in San Ignacio in Encarnación. These plants produced balanced feed for poultry, swine, and horses, as well as dairy animals.

In summary, we can say that during the years that there has been a technical cooperation program in Latin America there has been a wide variety of projects undertaken and successfully terminated. The manner in which the project has been continued in each country varies with the type of project and the economic and financial conditions in the country. Private enterprise has taken over such projects as could be put on a sound commercial basis. The poultry project in Panama mentioned earlier is one example of this. Model dairies, well drilling, machinery pools, balanced food projects, insecticides projects, management training are others. In some cases it is a governmental unit which continues the work. Local governments have initiated the development of local water supply or sewage systems once the techniques have been demonstrated. Vocational schools or area health programs are most often taken over by the central government. All in all, we estimate more than 2,000 individual and readily identifiable projects, most of them service projects, have been turned over or terminated since the Latin American technical cooperation program began in 1942.

## ANNEX 2

## ACTIVITIES OF SELECTED PERUVIAN NATIONALS PURSUANT TO THEIR RECEIVING TRAINING IN THE UNITED STATES (AS OF 1958)

*Jorge Guerinoni*

Lawyer. Received training in the United States in the field of international trade.

Dr. Guerinoni is a career officer in the Ministry of Finance. At present, he holds the important position of national director of commerce and in addition, he is the Peruvian Government coordinator of technical cooperation. In both positions, Dr. Guerinoni is doing a remarkable job and making a very definite contribution to the country's development.

*Emilio Foley*

Lawyer. One year's training in the United States in the field of finances and commerce.

Dr. Foley is an outstanding economist and has occupied top positions in Peru. Not long ago he was comptroller general of the Republic and presently holds the key position of general manager of the Agricultural Bank of Peru (Banco de Fomento Agropecuario).

*Enrique Labarthe*

Received training in the United States in the years 1945 and 1951. Has been associated with SCIPA since its inception. For several years held the position of head of SCIPA's extension service. Traveled to Europe in 1952 under contract with FAO and more recently spent 1 year in Bolivia (1956) as chief of FAO mission.

Mr. Labarthe was appointed Minister of Agriculture, September 1957.

A prominent leader in the field of agriculture, Mr. Labarthe is occupying one of the most difficult and challenging public positions in the country, since 65 percent of the population of Peru are dependent upon agriculture for their livelihood.

*Luis Mantilla*

Sanitary engineer. Short-term observation visit to the United States in 1956.

Mr. Mantilla is dean of the School of Sanitary Engineering of the National University of Engineering.

Under the terms of the contract entered into with the North Carolina University School of Sanitary Engineering, the local school has undergone a complete reorganization, the success of which is in no small part due to the ability and enthusiasm of Dean Mantilla.

*Jorge Succar*

Chemical engineer. Short-term training in the United States in the field of industrial engineering.

Since his return from training, Mr. Succar, who is highly regarded for his professional competence, has become dean of the faculty of chemistry of the University of Engineering and further occupies the position of assistant national director of industries in the Ministry of Development and Public Works.

*Gloria Abate*

Social worker. Conducted postgraduate studies in the United States in the field of social welfare. Supplementing this training, Miss Abate has traveled in Puerto Rico, Columbia, and Brazil to observe social welfare activities in these countries.

For a year now she has been director of the National School of Social Welfare of Peru and in this important position she is making a valuable contribution to the country.

*Alberto Hurtado*

Physician. Short-term observation visit to the United States in the year 1956.

Dr. Hurtado is an outstanding professional and has for some time now been dean of the School of Medicine of San Marcos University.

*Julio Munoz Pugliesevich*

Physician. Received training in public health administration in the United States in the year 1948.

Has been associated with public health activities in the country for a number of years.

At present holds the important position of national director of public health.

*Pedro Patron Faura*

Lawyer. Received training in the United States in 1952 in civil service administration.

Dr. Patron Faura has for several years now been director of the Peruvian civil service which is the agency responsible for regulating and controlling personnel matters pertaining to the thousands of active and retired public employees of the country. Recently elected president of the association of ICA returned participants (ABACI).

*Antonio Pinilla*

Lawyer. Received 14 months' training in the United States in the field of educational psychology. Prior to his training, he occupied the position of assistant director to SECPANE. At present, Dr. Pinilla is dean of the faculty of human relations of the Catholic University of Peru.

This faculty is the first of its type in Peru and was created recently by Dr. Pinilla himself. It has aroused considerable interest and counts among its students a considerable number of professional people.

*Benjamin Quijandria*

Agronomist. Spent a few months in the United States in 1951 observing agricultural administration methods and procedures. A career employee of the Ministry of Agriculture, he has been secretary general of SCIPA since 1950. Mr. Quijandria has recently been appointed director of PCEA (agricultural research program) which functions under the technical direction of North Carolina Agricultural Research Mission.

Mr. Quijandria has had a lot to do with policymaking, and coordination of SCIPA and Ministry activities in past years. He is a well known agricultural executive.

*Juan Fernandez Stoll*

Agronomist. Received training in the United States in 1953. He is a member of the board of directors of the Agricultural Bank of Peru (Banco de Fomento Agropecuario del Peru) and manager of the "Frigorifico Santa Rosa."

Recognized as one of the leaders in the field of agriculture, Mr. Fernandez Stoll is frequently called upon to integrate special consultative and/or advisory committees designated to assist the Government in the solution of agricultural problems.

*Jacobo Zender*

Agronomist. Had a period of observation in the United States in 1951.

One of the most important and respected agricultural leaders of Peru, Mr. Zender occupies the position of Secretary General of Agriculture, ranking second to the Minister.

*Miguel Aspillaga*

Agronomist. Short-term training in the United States in the field of agricultural development (1955).

A career employee of the Ministry of Agriculture, Mr. Aspillaga is presently national director of agriculture. He is the third man in the Ministry of Agriculture and integrates several national committees concerned with the making of agricultural policy.

*Ernesto Noriega Calmet*

Agronomist. Received training in the United States in 1953.

A career employee of the Ministry of Agriculture, he holds the position of director of colonization and forestry and is responsible for the countrywide program conducted by the Ministry in this field.

*Luis A. Lopez*

Teacher. Has studied in the United States for a period of about 16 months. When he traveled in 1952, he was employed by SECPANE as normal training specialist.

About a year and a half ago, Mr. Lopez became national director of rural education and alphabetization in the Ministry of Education. His appointment

to this important position is particularly encouraging because most of the important jobs in the Ministry have for years been held by people who, undoubtedly capable, have not had the advantage of advanced training abroad.

#### *Alberto Insua*

In the year 1952 traveled in the United States for special training in employment service work, over a period of several months. He was at that time head of the small department in the Ministry of Labor in charge of employment service activities.

When the cooperative employment service program was established in Peru in 1954, Mr. Insua was appointed director and he acts as the Peruvian counterpart of the U.S. director, a member of the mission.

#### *Roberto Valverde*

Petroleum engineer. Traveled to the United States in 1953 for a brief period of training in petroleum engineering. At that time he was dean of the faculty of petroleum of the National School of Engineering.

Since then vital changes have taken place. The School of Engineering has become the National University of Engineering and Mr. Valverde is president thereof.

The university has acquired considerable importance lately and ICA has cooperated in the reorganization of the school of sanitary engineering and the establishment of a modern school of textile engineering.

#### *Felipe Esteban Faura*

Short-term training in the United States in the year 1953, in the field of public administration.

Mr. Faura is national director of administration of the Ministry of Finance.

#### *Santiago Salinas*

Lawyer. Traveled to the United States in 1954 for 3 months training in statistics.

Mr. Salinas is national director of statistics in the Ministry of Finance. He is regarded as extremely competent in his field.

### ANNEX 3

#### *ICA-financed university contracts in operation in Latin America as of Mar. 31, 1959*

| Country            | Host country institution                              | U.S. university   | Field of activity                   |
|--------------------|---|---|-------------------------------------|
| 1. Bolivia.....    | University of San Andres.                             | University of Tennessee...  | Public administration.              |
| 2. Brazil.....     | Rural University of the State of Minas Gerais.        | Purdue University.....  | Agriculture and home economics.     |
| 3. Brazil.....     | Getulio Vargas Foundation.                            | Michigan State University.  | Business administration.            |
| 4. Brazil.....     | University of São Paulo...                            | do.....   | Education.                          |
| 5. Chile.....      | Catholic University of Chile.                         | University of Chicago.....  | Economics.                          |
| 6. Colombia.....   | National University.....                              | Tulane University of Louisiana.   | Medicine.                           |
| 7. Colombia.....   | National University of Colombia.                      | Michigan State University.  | Agricultural and natural resources. |
| 8. Costa Rica..... | Ministry of Agriculture and Industries of Costa Rica. | University of Florida.....  | Agriculture.                        |
| 9. Guatemala.....  | University of San Carlos..                            | University of Kentucky...   | Do.                                 |
| 10. Mexico.....    | El Olivar School.....                                 | University of Michigan...   | Vocational education.               |
| 11. Panama.....    | Government of the Republic of Panama.                 | University of Tennessee...  | Public administration.              |
| 12. Paraguay.....  | National University at Asunción.                      | University of Buffalo.....  | Medical education.                  |
| 13. Peru.....      | The National School of Engineering of Peru.           | University of North Carolina.   | Sanitary engineering.               |
| 14. Peru.....      | Programa Cooperativo de Experimentación Agropecuaria. | State College of Agriculture and Engineering of the University of North Carolina. | Agriculture.                        |
| 15. Peru.....      | The National School of Engineering of Peru.           | do.....   | Textile engineering.                |
| 16. Peru.....      | University of San Marcos.                             | University of New Hampshire.  | Education.                          |



## ANNEX 4

## UTILIZATION OF SMATHERS LOAN IN PERU

The Smathers loan is utilized to push a road through the eastern Andes from the overpopulated Lake Titicaca Basin to the lowland jungle areas of southeastern Peru. The objective is to increase economic opportunity in an area of political and social ferment. Studies show that four possible routes are indicated, but the Macusani Otorongo route to connect with the Quincemil Maldonado road being constructed by the Government of Peru seems most feasible because (1) it is 100 kilometers shorter to the lowland area, (2) potential areas in San Gaban Valley are suitable for agriculture, (3) there is mineral potential in the Inambari River area, (4) the most direct route for emigration and intercommunication is from the highlands to the jungle. The progress in kilometers from Nacusani through April 30 is as follows: Road construction completed to 32 kilometers, contracts let to 80 kilometers, engineering surveys to 112 kilometers. Detailed engineering studies on balance of 43 kilometers are in progress. The construction through steep mountain gorges at 42 kilometers requires supplies and equipment to be transported by mule or human back to work on sites beyond. It is estimated that by late August 1959, the road will be passable through 54 kilometers.

## ANNEX 5

## PROGRAM PROGRESS AND ACCOMPLISHMENTS IN PANAMA

The USOM has made notable progress in encouraging the leaders of Panama, both within and outside Government, to consider their problem of economic development in a comprehensive manner. In this approach, the significance of each respective project has been evaluated in terms of its contribution to the solution of major national problems. Thus, a more complete and accurate listing of national problems comes into focus although this process is sometimes difficult and painful as traditional concepts and special interests are affected. Moreover, the importance of Government policy in the fields of (1) public agency management, (2) attitude toward private enterprise and the public welfare, (3) international trade, (4) taxation, (5) land reform, etc., take on enhanced significance with corresponding less preoccupation with the individual development projects.

In all of this Panamanian Government officials and other leaders have made notable progress within the past 2 years. To substantiate the above generalizations, we wish to cite the following:

1. To improve and better orient Panama's educational system to practical problems of economic development: (a) vocational education has been given high priority status, a highly significant step in a Latin American country; (b) agriculture has been recognized as a major field of higher learning at the national university; (c) greater financial support for education has been secured; and (d) administrative steps to improve the quality of instruction have been taken.

2. Critical questions have been raised by Panamanian leaders regarding the effectiveness of projects in the existing cooperative point 4 program in terms of their usefulness in economic development and increased productivity. Consequently, USOM, in conjunction with the Embassy, reviewed and appraised the program, and as a result revamped and reoriented it to better attack the key problems of economic development. A part of this is a listing by category of projects for which Panama is seeking external loans to provide development capital.

3. The Government of Panama has proceeded with the establishment of a National Economic Planning Commission as a permanent activity of the Government intended to (a) inventory and evaluate the nation's resource potential and (b) formulate a long-range development plan which would set standards for the national budget, administrative management of Government agencies and for the form and content of Government projects and policies with respect to private trade and investment. The Government is providing a substantial budget and legislative authority to finance activities of the National Economic Planning Commission. This is an accomplishment of major importance and in part is the result of U.S. technical advice during the past 2 years.

4. There is increasing public attention to the country's major social and economic problems. These questions bear upon inequities in the present distribution of resources and economic opportunity among the total population. There is

an increasing willingness to discuss questions of this kind in public forums such as the newspapers, university seminars, etc.

For specific project accomplishments, there are included herewith nine of the most outstanding achievements during the reporting period. An effort has been made by USOM to present factual project achievements. We wish to point out, however, that program progress is a continuous and subtle phenomenon and cannot always be objectively reduced to tangible measurements.

1. One of the most significant developments in recent years concerns action taken by the Government of Panama in the adoption of USOM recommendations in organizing for national economic development and providing a staff secretariat in the Presidencia.

In 1958, the President of the Republic officially endorsed a proposal to establish the Department of Economic Planning, Budgeting, Personnel, and Administrative Organization in the Executive Office and requested the general assembly to grant power to the Permanent Legislative Committee to issue enabling legislation for this purpose in 1959. The general assembly has acted favorably upon the President's request, and legislation has been subsequently prepared in draft form to be submitted to the Permanent Legislative Committee in early 1959.

2. A number of steps have been taken by Panama's fledgling merit system drafted into being through point 4 assistance late in 1955. Class specifications have been developed for more than 200 classes of positions. Complete personnel folders have been prepared for more than 800 employees in Government departments brought into the career service. A comparative wage survey has been conducted for more than 100 classes of positions. More than 60 examinations and eligible lists have been established. Through the cooperative efforts of the national university, point 4, the U.N., and the national personnel office, in-service training programs for approximately 600 employees have been conducted during the past 2 years. Of greatest importance to the career service has been the recent growth of top level political support for the merit system. As an indication of this trend, the legislative assembly in November increased the 1959 budget for the career service by more than 100 percent over the previous year.

3. In the field of budget and accounting, the following accomplishments were effected under USOM recommendations:

(a) A standard classification of expenditures was prepared for and adopted by the Government of Panama with the 1958 budget, establishing uniformity in budgeting, accounting, and reporting of all Government expenditures, making possible also the accumulation of financial data in standard terms.

(b) For the purpose of controlling rates of expenditures, a system of quarterly allotments was adopted by the Government of Panama.

(c) A budget department was organized and established within the Contraloria for later transfer to the office of the President, as an indispensable step in the effective reorganization of the executive branch of the Government of Panama.

4. Progress in economic and industrial development in Panama has been handicapped through lack of rational management know-how and the scarcity of institutions providing communication of modern management ideas among businessmen. To help alleviate this situation, an ICA-sponsored management seminar was conducted in March 1958, and attended by 82 Panamanian business executives, sparking interest in continued exchange of management experience and leading to the establishment of Panama's first permanent management association with an initial enrollment of 40 members. The association has developed a program of monthly meetings dedicated to presentation and discussion of management problems indicated by the growth of the membership from 40 to 76 persons in less than a year, including leaders in commerce, industry, banking, and insurance. Requests by the Panama Management Association for workshops in financial statement analysis, sales administration and top management controls are indicative that Panamanian businessmen are coming to grips with their problems in a systematic and organized manner.

5. The effectiveness of Panama's vocational education program, under point 4 technical advice, has been shown by the number of trained young personnel recently absorbed into private productive enterprise and government. Evidence of the success of the program was recently highlighted by the Ministry of Public Works' announcement that all graduates in auto mechanics, electricity, and general mechanics from an important high school would be employed in the Ministry's accelerated capital works program. An example of business community interest in the program is found in the practice of preemployment training as

prerequisite to employment in industrial organizations. Late in 1958, 85 senior vocational students were accepted as preemployment trainees, by 43 private firms. Presently, the demand for such trainees exceeds the supply. As a result of these growing achievements in vocational education, the Government of Panama finally recognized the value of inserting practical training into Panama's traditionally academic education system and at the end of 1958 implemented long-standing point 4 recommendations on the creation of a Department of Vocational Education to push forward and coordinate vocational education programs in accordance with future needs of the country's productive economy.

6. In the field of public health and sanitation, striking success lies in the recent fruition of technical assistance efforts over the years in sanitary engineering, emphasizing the permanent and constantly increasing value of the mutual security program. In the spring of 1957 a project was initiated to install the first unit of the greater Panama City water and sewer extension and improvement. The project consisted of two equally important components—a \$2 million Public Law 726 loan and technical assistance from point 4. Achievements under this project make it a model which could be followed in other countries in Latin America. The project is in the hands of an agency of the Government of Panama, a special water and sewerage commission created within the Ministry of Public Health and composed to substantial degree of Panamanian engineers who received specialized training under point 4. Through this new authority, the Government of Panama can now be assured of modern, efficient engineering and construction project activities.

7. Livestock makes up 53 percent of Panama's national agriculture product and it is generally agreed that no single development in the country's recent livestock history will have a more far-reaching effect than point 4's introduction of Pangola grass. Panama has needed a forage which could grow well during its 9 months of tropical rains and one which could withstand as much as 3 months of drought. Pangola meets both requirements. Technical cooperation personnel have completed 4 years of test work and in 1958 these technicians, agricultural agents, and cooperating farmers established Pangola demonstration fields in all of the major livestock-producing provinces. In these areas Pangola carries on the average from two to three animals per hectare throughout the year and some fields up to five, while native grasses only carry one or less animals even during the wet season.

8. In the Chiriqui Province of Panama a concentrated technical cooperation agricultural program is underway covering crop variety improvement, insect and disease control, pasture and forage variety improvement, and soils and water management. Usage of fertilizer is a typical example of progress there. Fertilizer field trials in Chiriqui began 4 years ago when almost no fertilizer was being used. In 1958, over 2,000 tons of fertilizers were imported for use in the province. Check plots show that farmers get an average of 60 percent increase in grain yield, or 7 bushels of corn per acre. This is equivalent to 225,000 additional bushels of corn to the amount applied in 1958.

9. By the end of 1958, Panama's program of water resources investigations, under technical advice of point 4 as a foundation for much-needed power and irrigation engineering works, had reached a significant goal. There were then 58 sites on 16 rivers established for recording precipitation and streamflow data, from which long-term records could now be obtained for the design of sound engineering projects. In addition, photogrammetric work with available air photography on the 16 rivers and intensive study of 5 potential damsites was completed. As a result of this growing backlog of scientific information, it was possible to assist in the preparation of a power market and comparative power supply survey for Panama which has become the basis of future power development planning. A local subsidiary of an American power company has used data collected through this program for projecting expansion of existing facilities in the cities of Panama and Colon. Interest by the Government of Panama in future power plans to keep pace with growing industrial needs culminated in legislation authorizing issuance of \$4,500,000 in bonds for design of hydroelectric and thermal electric plants for a power system in the central provinces.

## ANNEX 6

SAMPLING OF ACCOMPLISHMENTS RELATED TO ICA TECHNICAL COOPERATION  
PROGRAM IN COLOMBIA

1. Illustrative accomplishments in the field of agriculture and natural resources include the following:

(a) *National agricultural extension*

This project is an outgrowth of three earlier projects dealing with agricultural extension in Boyaca, land resource development and agricultural extension in the Cauca Valley, and National Extension Service advisory assistance. The first two were pilot operations designed to develop extension organizations and methods to fit local conditions and provide a nucleus of trained personnel. The third was established to provide top-level advice to the Ministry of Agriculture on the organizational requirements of a national service based on principles and methods developed by the pilot projects and U.S. experience.

An organizational plan for the National Extension Service has been developed and approved by the Colombian Government which will gradually absorb the established agencies of the two pilot projects. At the present time the organization consists of a national staff (director, agricultural program specialist, home economics specialist, and youth programs specialist—all trained in the ICA program); 6 regional offices; 10 state offices, and 49 county offices, staffed with 250 professional and subprofessional Colombian employees. The above-mentioned precursor project provided a total of 14 ICA-trained extensionists to fill key positions at national, regional, and state levels of the new organization.

In the past 4 years of operation 225 youth clubs with 2,500 members have been organized. Twenty-five home demonstration clubs have been organized and basic agricultural programs established. Although the extension service is young and still suffering growing pains, it should make an effective contribution to the rural Colombian economy.

(b) *Cacao development*

Prepared an organizational plan (accepted by GOC) for the establishment of needed cacao extension and research services in appropriate branches of the Ministry of Agriculture and coordination of all cacao development work. This plan was initiated in August 1958 with transfer of personnel and equipment from the semiautonomous national cacao campaign to the Ministry of Agriculture. A U.S. technician is working closely with Ministry personnel to develop programs that will assure establishment of needed research activities and effect the transfer of Cooperative Service cacao extension personnel to the Ministry by the close of 1959.

(c) *Agricultural machinery pools*

Four machinery pools have been established in different areas of the country, using equipment transferred from the Ministry of Agriculture and some purchased from the joint fund. These four pools have been combined into two as experience has shown the most efficient size, type, and locations of operations. These pools have materially assisted in the agricultural development in their areas of operation. Activities are rapidly approaching a complete self-financing status.

This project has introduced agricultural equipment and demonstrated its proper use; trained workers, farmers, and technicians in mechanical agriculture, selection, maintenance, and repair of equipment, the improvement of farm management and land use by means of machinery and improved irrigation methods.

One automatic land leveler was brought in from the United States and demonstrated by this project. Now more than 100 of the same kind have been imported and are being used on private farms in the area of the demonstration (paid for by private individuals).

A machine for making irrigation ditches introduced and demonstrated by this project reduced the cost from 40 to 3 cents per cubic yard. Ten of these machines have now been bought by individuals and are in use.

Improved equipment and methods of clearing jungle have been demonstrated which reduce cost to one half or less than that of the usual methods. An irrigation border maker was introduced; individuals have purchased several for their own use and others have handmade more, patterned after the one demonstrated by ICA. There is a definite tendency for the individuals to obtain for themselves the same type of machine as demonstrated, or as close to it as possible.

Improved methods of land leveling and ditching, and better engineering design of irrigation systems have made possible a diversification of crops and land use. Irrigated pasture is a recent innovation here, but becoming increasingly popular, because of improved land preparation methods and the use of better grasses introduced by ICA.

The skills and knowledge of machine operators, mechanics, maintenance and administrative personnel has been improved by constant on-the-job training. Over 100 operators, 20 mechanics, and 18 foremen so trained have left the organization because of more attractive salary offers, and are now working in private enterprises. One hundred sixty mechanics have received training in short courses to improve skills. An agricultural engineer, after 1½ years with this project, is now secretary of agriculture of one of the Colombian states. Another is now the field manager of a large sugar company.

#### (d) *Forestry resources development*

USOM technical assistance to the forestry section, Ministry of Agriculture, is contributing to the gradual orientation and improved planning of national forestry programs. As a result of this assistance the forestry section was reorganized in July 1958, and a National Forestry Service established. Nonprofessional personnel have been replaced by Colombian forestry graduates. Where formerly there were no foresters assigned to field supervisory positions, the Ministry has now assigned professional foresters to the key positions in the field.

Ten Colombian forestry engineers were given special training in various forestry projects under guidance of the three USOM foresters. With the establishment of the forestry section, all of these foresters were given positions of responsibility in the Ministry of Agriculture.

During the past year and a half, 45 students were provided opportunities to work in practical forestry operations of the cooperative field projects during vacation periods. Eight Colombian foresters sponsored by ICA for third-country training are now occupying important positions in the Central Government and departmental forestry organizations.

Assistance has been provided the Forestry Institute of the National University at Medellin in the reorganization of the forestry curriculum which was approved for the school year beginning February 1957. The new curriculum emphasizes practical field training through scheduling field laboratories during the week, weekends, and vacation periods at the USOM-sponsored forestry training center at Piedras Blancas, a few miles from the university, and schedules the second semester of the second school year for field practices. From July to November 1959, 10 second-year students spent their full time in field training camps.

Watershed management projects developed in cooperation with the major municipalities of Bogota, Medellin, and Cali, have been underway for 3 years. These projects have been developed as model programs of watershed management and used as training and demonstration centers for all levels of forestry personnel. In 1958, the Cali municipality established a permanent forestry organization on recommendations of USOM foresters, to assure continuance of the watershed program, taking over USOM-trained personnel for its administration.

Training given to Colombian professional and subprofessional personnel in the application of scientific and economic techniques of forest-nursery development and care and in tree-planting methods reduced tree-planting costs to less than three-quarters cent per tree compared to costs 10 to 15 times greater by traditional methods.

Education of private forest owners is considered one of the most effective means of increasing timber production and controlling of erosion on private lands. A pilot forestry extension project carried out by USOM foresters in collaboration with the agricultural extension program has developed standards and techniques which can serve as a base for a national forestry extension program. Three Colombian professional foresters have been trained in the techniques of forestry extension, one of whom is now employed as forest extensionist in the Ministry of Agriculture.

2. Illustrative accomplishments in the field of public health include the following:

#### (a) *Public-health engineering*

The regional organization providing public-health engineering services throughout the country was extended to include 12 of 16 departments. Steps are being initiated to turn this organization over to the Ministry of Public Health or to the

departments themselves. As of December 30, 1958, two of the departments had sanitary engineers on their payroll. During this period two engineers returned from training in the States, both of whom are now employed in this field by the Government of Columbia. One sanitary inspector returned from training in Brazil and is working for the ministry.

(b) *Health education*

Adequate administrative and financial support to launch a long-range plan for the preparation and utilization of qualified health-education staff was secured from the Colombian Government. The systematic recruitment within country orientation and out of country specialized training for persons with appropriate academic and experience background was initiated. Thirteen persons were employed in apprentice health educator positions. During the 1958-59 school term three of these are receiving graduate training in accredited schools of public health in U.S.A. Provision has been made for training of six more of those now employed in apprentice positions during the 1959-60 term.

Qualifications, functions, and salary scales for health education personnel were defined and the necessary steps taken to incorporate these in the national civil-service system.

Through participation in training activities at national and state level, health education staff gave courses to 70 public health physicians, 35 public health nurses, 118 sanitarians, 900 primary teachers, 40 supervisors of primary education, 150 employees of the national malaria-eradication program, 50 employees of the national smallpox-eradication campaign, 62 public health dentists, and 45 public health nurse auxiliaries. Three months of field orientation in local health centers for nine health education apprentices was also given.

Health education service was provided to the malaria-eradication program, rabies-control demonstration, intestinal-parasite study, nutrition and public health dental projects in Valle del Cauca and Caldas and others. This action served as basis for determining more effective health education procedures and for interpreting and establishing technical standards.

In the national health education department a position for a director of public information and materials development was established and budgetary provision made. An organized information service was established within the state project in Caldas.

LATIN AMERICAN STUDENTS IN IRON CURTAIN COUNTRIES

Chairman HAYDEN. You mentioned Latin Americans who come to the United States to study, particularly military personnel. What about Latin Americans who go to the Soviet Union for their instruction?

Do you have any information on how many have been educated in Moscow in connection with indoctrination in communism?

We were told, for example, at one time that a very large number of Guatemalans had been to Moscow and had gone through a course of training in how to subvert their country so that it might become communistic.

Mr. SNOW. Senator, there has been a movement of people from Latin America to points behind the Iron Curtain for the sort of training that you refer to.

I imagine that if a study were made it would show that there has been a small, but steady, flow of these people for some years.

However, I am not aware that members of the military organizations of the Latin American countries have been going behind the Iron Curtain for military training.

In fact, you will generally find that the military services of Latin America are about the most anticommunistic of any group you could look to.

Chairman HAYDEN. Have you any questions, Senator Ellender?

Senator ELLENDER. Yes.

Did you glance over my report which I made last year on South and Central America?

Mr. SNOW. Yes, sir; I did. In fact, I have a summary of it here that a member of my staff made for me.

#### ADMINISTRATIVE EXPENDITURES FOR TECHNICAL ASSISTANCE

Senator ELLENDER. Are you familiar with my criticism of the large amounts spent for administrative expenses in the handling of the technical aid program?

Mr. SNOW. I believe your comment was, Senator Ellender, that more of the administration could and should be handled by the Embassy administrative staffs. Is that correct?

Senator ELLENDER. The report is self-explanatory. I felt that in many countries you had an administrative force entirely out of balance with the programs carried on in the respective countries.

For instance, I remember distinctly of having talked to your head man in Panama, Mr. Will, whom I think I had previously met in Pakistan. Not only did I receive such information from Mr. Will, but also from several Ambassadors whose names I did not mention in my report. Many of them agreed that the amount of money spent for administrative purposes was not in keeping with the size of the program we had in those countries.

#### SITUATION IN PANAMA

Now, with respect to Panama, I pointed out that Mr. Will stated to me that an assistant was sent to him and as I remember his statement, he indicated he had no use for him but wanted the man sent back.

One of your regional inspectors visited Panama and insisted that this assistant stay although Mr. Will said he had no use for him.

As I recall, this assistant was receiving a salary of between \$15,000 and \$16,000 per year.

What do you have to say about that?

Mr. SNOW. Senator, I am here representing the State Department. We responded to your report on March 13 with regard to the recommendations you made about our State Department operation.

The ICA, I believe, responded separately—

Senator ELLENDER. ICA responded on four or five countries as I remember now.

Mr. SNOW. I believe your question could better be answered by Mr. Atwood, who is the ICA representative here. I am not familiar with that Panamanian matter in detail, Senator.

Senator ELLENDER. You know how the program is being conducted, do you not?

Mr. SNOW. Yes, sir; but I don't know the details of administration and personnel.

Senator ELLENDER. All right; who can answer the question I just asked?

On page 167 of my report I mentioned specifically the testimony given to me by Mr. Will. He said he had no objection to my use of it.

The administrative budget totals \$147,000 per year.

I am reading from page 171 of my report.

I discussed this problem with Mr. Will and he agreed with me that there were too many people in the administrative section.

Not only did Mr. Will agree to that, but many others did agree.

The only difference is that those who thought as Mr. Will suggested that I not use their names.

Mr. Will told me that approximately 6 months prior to my visit in Panama, Mr. Rollin Atwood, regional director of ICA, made an inspection call at this station. At that time Mr. Will said he recommended that the position of deputy director be abolished. Mr. Will told me that Mr. Atwood insisted that the deputy director be retained.

What do you have to say about that statement, Mr. Atwood?

#### POSITION OF DEPUTY DIRECTOR

Mr. Atwood. Senator Ellender, before I state that I want you to know that we feel that your report is probably one of the most helpful reports that we have had regarding our operations even down to the details of our operation and we concur practically 100 percent with the recommendations and the conclusions which you have made.

However, in this specific case and in answer to your statement here that is in your report, it is perfectly true that Mr. Will did not feel that the position of deputy director was necessary in Panama.

However, at a meeting in March 1947, in which Mr. Will was present, together with the ICA Washington Director of Personnel and representatives of all of the particular ICA Washington technical services which handled personnel in the various programs that we carry on, at that meeting specific requests were made for an economic adviser at the top level, for an additional program officer, for an additional executive officer, for an additional training officer. Those recommendations were approved by the entire group, including Mr. Will.

Senator ELLENDER. For what?

Mr. Atwood. For the Panama program.

These additional jobs were considered essential at that meeting for the Panama program in order to effectively carry out that program.

Senator ELLENDER. Do you admit that Mr. Will told you he did not need this deputy assistant as I have quoted him?

Mr. Atwood. No, sir; not the the exact language that is here, sir. I was perfectly aware, and had been for a considerable time, that Mr. Will did not feel in the organization of the mission that a deputy director position as such was required.

He did, however, strongly recommend that these other four positions be added in order to carry out the program.

Now, in this meeting in March 1957 it was decided that a deputy director would be appointed; that he would be a top-level economic man so that he could fulfill the requirements of the economic adviser that they wanted.

He also would take over the job of the economic program officer that had been requested.

So instead of sending four men we sent one and he was a top-level man, and we, therefore, appointed him as a deputy director.

I talked this matter over very frankly with Mr. Will and he agreed to it.



Senator ELLENDER. Now, somebody is telling a story—either you or Mr. Will.

Mr. Atwood. Mr. Will is in town and I talked to him.

Senator ELLENDER. I would like to get him here. I want him to face you.

Mr. Atwood. All right.

I talked to him very frankly.

Senator ELLENDER. I would like to know who is telling me the truth, you or Mr. Will.

Mr. Atwood. Senator, Mr. Will told me just 2 days ago—he is here in Washington and I talked to him—he said that ICA Washington had insisted on a deputy director. That is correct, we did. I am just explaining the reason we did it.

Senator ELLENDER. He said it was not necessary. Does he admit that?

Mr. Atwood. It is not necessary if you have the other four men, but if you don't have the other four men, he certainly was glad to have him. Mr. Will stated at this meeting—

Senator ELLENDER. Who was glad to have him, Mr. Will?

Mr. Atwood. Mr. Will.

Senator ELLENDER. Mr. Will told me he was not.

Mr. Atwood. Mr. Will said that the deputy director should be of director caliber. Now, he disagreed on the title that this man should have, but he did not disagree on the need for more manpower. In fact, he asked for more personnel than the one man we sent. I think it is a mis-understanding regarding his feeling—

Senator ELLENDER. Why is Mr. Will in town?

Mr. Atwood. He has come up and he is resigning.

Senator ELLENDER. Why?

Mr. Atwood. Well, he has reached the age where he requested to retire.

Senator ELLENDER. No pressure was brought to bear against him?

Mr. Atwood. Not that I know of. I certainly did not.

Senator ELLENDER. Let us get Mr. Will here, please.

Mr. Atwood. As I say, I have gone over this both in Panama with him and in Washington.

Senator ELLENDER. I want to get him to face you. Somebody is telling a story.

Mr. Atwood. I faced him after I saw your statement in this report, and asked him in so many words what this was. He explains that it was the same feeling that he expressed to me that the position of a deputy in his type of organization that he did not want, but he did want help.

Senator ELLENDER. He never told me that. He said it was overcrowded.

The same thing is true in several other places. However, I cannot violate the confidence of the people who gave me this information.

Mr. Atwood. The question of administrative personnel in Latin America has been gone into in great detail even before your report and in more detail following your report.

## QUESTION OF AGREEMENT WITH THE ELLENDER REPORT

Senator ELLENDER. You say you find no fault with my report?

Mr. ATWOOD. I say in the conclusions and in the recommendations and in cutting administrative personnel to the bone, we have no objection; I agree with you 100 percent.

I disagree on the number of people that are needed to carry out the type of program we have. I frankly disagree on that.

Senator ELLENDER. What do you agree with on my report? You say you learned from it.

Mr. ATWOOD. I agree 100 percent with your recommendation that technical cooperation should be demonstration and training only, pure and undefiled.

I agree 100 percent with that.

Senator ELLENDER. You know that is not being carried on that way in many countries.

Mr. ATWOOD. It is being carried on to the best of our ability, sir. That is a policy that we stick to and I stick to very firmly.

## ASSISTANCE IN NICARAGUA AND GUATEMALA

Senator ELLENDER. Let us see if you are doing that.

In Nicaragua—

Mr. ATWOOD. I am familiar with the Nicaraguan situation.

Senator ELLENDER. I think in Nicaragua and another country—

Mr. ATWOOD. You mentioned Colombia where technical cooperation funds are being used in the amount of \$1,100 for housing.

Senator ELLENDER. You have 200 units going up there?

Mr. ATWOOD. There must be some misunderstanding because no such program exists in Columbia.

Senator ELLENDER. It is Guatemala; I am sorry.

Mr. ATWOOD. In Guatemala?

Senator ELLENDER. Two hundred units.

Mr. ATWOOD. More than that, but it is special assistance money being used, not technical cooperation.

The same thing is true in Nicaragua; it is special assistance money, not technical cooperation, and that is in accord with your own recommendation that this capital equipment should be from funds other than technical cooperation.

As I say, we are trying our best to do it.

Senator ELLENDER. Mr. Atwood, I was informed by the people there that technical assistance money was being used for that purpose. Are they in error?

Mr. ATWOOD. I am afraid there is a misunderstanding.

Senator ELLENDER. Are they in error?

Mr. ATWOOD. They are in error if they made that statement.

Mr. MURPHY. You raised this point initially when Mr. Dillon first appeared.

Senator ELLENDER. Not only initially, but I was instrumental in having the law changed back in 1953. You remember that?

Mr. MURPHY. Yes, sir; I do, very well.

## ALLEGED VIOLATION OF 1953 LAW

Senator ELLENDER. And I do know this, that my report also shows that the same practices I found in 1952 which gave rise to a change in the law is again being practiced in these services. You are continuing to use some technical aid money for investment purposes rather than for true demonstration purposes.

It was in Peru where I found the worst offenses occurring, as I remember. That was pointed out in my report in 1953.

Do you remember that?

Mr. MURPHY. I remember that report.

Senator ELLENDER. Of course, that has been done away with to some extent, but you are still paying for 6 to 7 percent of the cost of operating some of the servicios after they have become going concerns.

It strikes me, as I pointed out in this report, Mr. Atwood, that this is in violation of the law.

If you will go out there and look into it you will find I am correct.

Mr. MURPHY. I would like to finish the point I was trying to make. You raised this point initially when Mr. Dillon appeared. I indicated to Mr. Dillon at the time that this undoubtedly was special assistance money.

You did not think this was correct. I made a special check on the item to be certain. I verified without any doubt that the money in Guatemala used in the housing project for supplies came from the special assistance appropriation.

Mr. Atwood has said we have no quarrel in principle with your point, that technical cooperation should be used in demonstration training only; he has said to the best of our ability we are watching this.

And maybe in some instances we have slipped over the line. It is not because we are not conscious of this and are not making a determined effort to stay within the principles espoused in the law which, of course, you were instrumental in helping to enact.

## SPECIAL ASSISTANCE FUNDS IN GUATEMALA

Senator ELLENDER. You say then that special assistance funds were used in Guatemala?

Mr. MURPHY. That is correct.

Senator ELLENDER. According to the records I have before me. They got no special assistance funds in 1959.

Mr. MURPHY. Nor is any proposed for 1960, but there was a special assistance program in Guatemala for 2 or 3 years.

Senator ELLENDER. These were being constructed when I was there last year.

Mr. MURPHY. That is correct, from money that was obligated.

Senator ELLENDER. I was told the money was coming from technical assistance.

Mr. MURPHY. Sir, if you were informed to that effect, you were informed incorrectly, because I can assure you they were special assistance funds.

Senator ELLENDER. Those funds had been carried over?

Mr. MURPHY. Yes, sir; they were obligated in the year in which they were appropriated for the particular projects, and as happens in many of our projects, the actual spending of the dollars, the receipt of the equipment and so forth, comes sometimes after the year in which they are initially obligated.

That explains why, even though they were not the funds of the year in which you visited Guatemala, they were being spent for those purposes.

#### CONSTRUCTION OF HOUSING

Senator ELLENDER. I was told that these houses were being constructed for demonstration purposes.

Mr. MURPHY. That is correct.

Senator ELLENDER. Would you consider them so?

Mr. MURPHY. I believe there was a demonstration element, but Mr. Atwood is more qualified to reply.

Mr. ATWOOD. Yes; it is demonstration and the construction of them is a demonstration project, which is financed by the TC, the actual demonstration.

Senator ELLENDER. The demonstration was not to construct 1 building, but to construct 200.

Mr. ATWOOD. The demonstration is to show people how to build buildings; to teach more and more people how to build the buildings.

The money used in the actual building is the special assistance money, but the program of training people in the shop there that is set up in the place where they are building the houses, the training carried on in that shop is TC, just as pure as anyone can have it.

But the money that is being used to buy water closets and window frames and so on to go into these houses is special assistance money.

Now, the special assistance was there to help put Guatemala back on its feet and the building of houses was an essential part of that program.

The TC was doing nothing but showing the people how to do it.

#### COST PER HOUSE

Senator ELLENDER. The 200 houses which were being built there, as I remember, would cost about \$1,100 per unit?

Mr. ATWOOD. I think that figure is probably correct; it might be a little higher. The houses ended up at a cost to the purchaser of about \$2,500.

Senator ELLENDER. That was the sales price?

Mr. ATWOOD. He bought it for that when it was finished.

Senator ELLENDER. I understand.

As I recall, the receipts from the sales were going to be placed in a revolving fund to build more houses; is that correct?

Mr. ATWOOD. That is correct, because the people who take these houses have to pay back this \$2,300 and that money is being made available for building new houses.

That is special assistance money.

Senator ELLENDER. This money was given to the Guatemalan Government?

Mr. ATWOOD. Yes, sir.

Senator ELLENDER. To construct these houses?

Mr. Atwood. It was given to the Guatemalan Government to be used in this project for the purchase of materials necessary in building these houses.

Senator ELLENDER. What size program have you there now?

Mr. Atwood. I am not sure of the exact number. The number of houses being built is increasing every year.

Senator ELLENDER. Why do you not use DLF funds for that purpose instead of grant dollars?

Mr. Atwood. We are not putting in any more money, Senator; this money was put in previously, and it is now revolving. We are not putting any new money in this. There was none put in in 1959 and there is none planned for 1960.

#### OTHER HOUSING PROGRAMS

Senator ELLENDER. What other countries in South America have such a program?

Mr. Atwood. We have had one in Chile and we have had one in Surinam.

We have had some in the agricultural land settlement program in Guatemala, also building houses. Those are \$300 houses.

I cannot remember right now how many other places we have self-help housing.

Senator ELLENDER. You had one I believe, in Costa Rica.

Mr. Atwood. We probably had one there.

Senator ELLENDER. I pointed out in my report, that you gave large quantities of equipment, such as mixers, and these were supplied out of technical cooperation funds. I would like you to check that, Mr. Murphy.

Mr. Atwood. In Costa Rica it is technical cooperation money. We don't have any special assistance in there.

Senator ELLENDER. Have you checked as to the large amount of equipment we have furnished there?

#### DEFINITION OF "DEMONSTRATION"

Mr. Atwood. I have been there and seen the program, Senator. I did not consider that we had gone beyond the demonstration definition.

Now, we do have to supply mixers; we have to supply some shovels.

Senator ELLENDER. You do not have to, you can supply one but not a hundred.

Mr. Atwood. Well, if you are operating in two or three places and you want to be effective—

Senator ELLENDER. It is all right to demonstrate with one or two mixers so as to show how they operate, but to furnish enough to construct as many as a hundred houses, I believe that is beyond the limits of what was intended by Congress.

Mr. Atwood. As I said, Senator, I agree entirely that it should be limited to absolutely demonstration purposes.

Now, as to the exact number of mixers needed to do the job of training, nobody can give an exact figure. It might be one, it might be two or three in order to do the job. It is the same thing in a vocational school.

If you have a vocational school set up to train people in the vocations of arts and crafts and so on, in plumbing, electricity, and carpentry work, do you supply 1 saw or do you supply 10 saws; do you supply 1 plane or 10 planes; do you supply 1 lathe or do you supply 10 lathes?

That is a matter of judgment, but I can assure you that the instructions and the policies are very definitely down the line that you have recommended.

Now, if we put too many saws, or too many mixers, we certainly are just as anxious as you are to cut it to what is purely demonstrational and training work.

Senator ELLENDER. I think someone testified here previously that 20 percent is a fair amount to be used for demonstration purposes. Do you agree to that?

Mr. ATWOOD. That has been a rule of thumb for the agency as a whole.

In Latin America it is much less than that, even including the money that you mentioned that is in the joint funds. It comes to between 11 and 13 percent, including all supplies and equipment, no matter how purchased.

Senator ELLENDER. My hope, Mr. Atwood, is that a review will be made soon.

Mr. ATWOOD. A review is being made, sir.

#### WATER PROJECT IN VENEZUELA

Senator ELLENDER. I also pointed out in my report that in Venezuela we are still demonstrating to the people how they can obtain good water for the cities and villages. As I recall, this is costing us about \$25,000?

Mr. ATWOOD. That is right.

Senator ELLENDER. That is my recollection of the figure. The money is used to buy equipment in order to dig wells at our expense.

Mr. ATWOOD. Now, let me just explain that one, Senator Ellender.

Senator ELLENDER. Do you think that ought to be continued?

Mr. ATWOOD. No, I don't think that should be continued beyond the point—

Senator ELLENDER. Your administrator there said it should have been discontinued sometime ago. I asked why it was not done.

Mr. ATWOOD. There were various problems in connection with turning over a program to another country. We have turned it over, though. I think you will be glad to know that it was turned over on June 30, of this year, but it takes quite a bit of negotiating to turn over an operation the size of that to the Venezuelan Government in such a way that she can continue it effectively.

Remember, we put in \$25,000, but Venezuela put in \$2 million and that joint fund was used—

Senator ELLENDER. At last.

Mr. ATWOOD. That was used not only to buy materials for it, but to run and administer the program. That included administrative officers, program officers, and so on.

## OTHER PROGRAMS IN VENEZUELA

Senator ELLENDER. Are you going to pull out of Venezuela?

Mr. ATWOOD. I don't think so.

Senator ELLENDER. What are you going to retain there?

Mr. ATWOOD. We have a program of helping them with industrial hygiene.

We have a program of safety in the mining industry.

I have recollection that they have asked for help in participation in the field of labor organization.

Senator ELLENDER. And education?

Mr. ATWOOD. And education, yes. It is a very, very small program. It is a country that needs technical cooperation and wants technical cooperation, although she can afford to pay the cost. I mean, she can afford to pay material costs. You don't have to put any special assistance in there. She can borrow or use her own funds and supply the resources for the program, but the technical guidance, I think is, in the interest of the United States to supply.

As long as she wants it and we feel it is in our interest to give her technical guidance, I would recommend continuing the program.

But I would not recommend continuing that water supply program, just as you have indicated.

Senator ELLENDER. As a matter of fact, I thought that the water program could have been done away with quite a while ago.

As you have just stated, the man in the field said it was going to be done, but it was delayed up to, as you say, June of this year.

Now, I want you to know that as far as I am personally concerned, there is no more fertile field in the world than South and Central America for our technical assistance.

## BANK FOR LATIN AMERICA

In my recommendations, appearing in my last report, I stated that I thought we should create a bank for the special use of the South and Central American people so that the small business concerns there would be able to borrow funds to carry out some of the things they have learned through our technical aid program.

You agree with that?

Mr. ATWOOD. Yes, sir.

As you know, that bank has been set up.

Senator ELLENDER. Yes, I know that. I hope, that you will see to it that the people there are permitted to borrow money at a reasonable rate so that they may carry out some of the things you have taught them through technical aid. I think it is a good thing.

I think we have been a bit backward in not doing it sooner.

## TECHNICAL AID FUNDS FOR SERVICIOS

However, it is my hope, Mr. Atwood, that you will review your technical aid programs in Latin America, particularly that aid given to the servicios. It is my belief that in this area our expenditures have taken us far beyond the demonstration stage.

Mr. ATWOOD. Senator Ellender, on that let me just briefly say that the servicio is the mechanism that we use. The projects that are

carried on under the servicio do change and do stop and we have stoped over 1,400 of them in the last 6 or 7 years.

The servicio is purely a mechanism for getting people to work together. It is not a project itself.

Senator ELLENDER. Many of them have pools of tractors and plows.

Mr. ATWOOD. That is a project within the servicio.

Senator ELLENDER. But we contributed to that. I hope we are not any more.

Mr. ATWOOD. No; those are now becoming self-sufficient. Private enterprise is taking over now, but private enterprise would not do it to begin with until it saw it would work.

Now private enterprise is doing it. You have your machine shops. You have your representatives of the agricultural machinery companies who are handling the type of things that those pools did do to begin with.

Senator ELLENDER. Senator Hayden, I do not want to go into any further detail because I have already consumed much time, but I am very much interested in South and Central America, as I feel we should be. To be frank, though, I am rather disappointed and sorry to see how some of the people there have been acting toward us, when in fact all we are trying to do is help them.

It is my hope, Mr. Atwood, that you will give thorough consideration to the recommendations I have made in my report on Latin America.

I will be glad to hear from you from time to time.

Mr. ATWOOD. I shall be very glad to keep you informed regarding it.

#### PROGRAMS VITAL TO UNITED STATES

Senator ELLENDER. I really believe that the programs in South America are of vital importance to us and should be continued.

Now, Mr. Atwood, there is another area I discussed in my report, and that is Trinidad.

Mr. ATWOOD. Yes, sir.

#### PROGRAM IN TRINIDAD

Senator ELLENDER. I talked to Mr. Donald Laidig there, who had just arrived from Washington at the time. He told me that he had administrative cost in his office last year of \$86,000 to start a program. This program is being started in advance of the findings of the Joint West Indies Commission.

In a long conversation I had with Mr. Orebaugh, he was opposed to any program going on there, and I so stated in my report.

I said this:

The circumstances prevailing here offered an example of how the foreign aid program feeds upon itself, how it is being extended into areas where U.S. interests are not involved. If, indeed, there are any such interests, they are purely secondary. If the committee requires an example of pure and complete waste of funds, that example is found in Trinidad.

Have you any money in here for Trinidad?

Mr. ATWOOD. Yes, sir; we do.

Senator ELLENDER. How can you justify that, Mr. Atwood?

Mr. ATWOOD. First of all—



Senator ELLENDER. Wait a minute. Did the West Indies Commission authorize anything?

Mr. ATWOOD. No, sir; I don't know what they are referring to. There must be some misunderstanding. There was no joint commission making a study for us that had anything to do with our program.

Senator ELLENDER. The consul general there, I presume, is well informed. And I asked Mr. Laidig the specific question, why did he not wait until the commission made its findings. He said he did not know what the commission would do and he thought a program here was necessary.

Mr. ATWOOD. There may be some sort of commission within the West Indies Federation Government itself, but there is no joint commission in which the United States and those countries are studying our program down there.

Our program down there has been determined after very careful discussions between the State Department and ICA. There is a program there this year, and there has been a program there, a small one.

#### EXPENDITURES IN 1959

Senator ELLENDER. How much have you spent through 1959, and for what?

Mr. ATWOOD. I would have to check that because our program in the Caribbean area is—

Senator ELLENDER. I am talking about Trinidad now.

Mr. ATWOOD. We have not spent any program funds in Trinidad itself.

Senator ELLENDER. What is Mr. Laidig doing there?

#### AGRICULTURAL EXPERT

Mr. ATWOOD. He is in charge of the programs that we have throughout the West Indies, and we do have programs in various of the Windward Islands and the Leeward Islands.

Senator ELLENDER. You had an agricultural expert there, as I have shown in my report?

Mr. ATWOOD. We had two men who were available to the various islands.

Senator ELLENDER. Will you tell us how much money was spent last year, and for what purpose, in Trinidad—in fact, in the entire area.

Mr. ATWOOD. In reference to Trinidad, no money was spent in connection with any project.

Senator ELLENDER. There is no program contemplated?

Mr. ATWOOD. There is a program contemplated, but we are not going forward with a program until we reach a mutually satisfactory arrangement with the Trinidad Government.

Senator ELLENDER. Why do you find it necessary to do that? Trinidad is a rich British possession. The British have been there for many years and there is much oil there.

In view of the fact that the British are there, why should we step in?

Mr. ATWOOD. The basic reason is that we have a policy of trying to help people to assume increased responsibilities leading toward independence. That is taking place throughout the West Indies area.

The West Indies area is of vital concern to the United States. It is of definite interest to the United States from various angles.

The statements attributed to the consul general in your report, Senator, do not reflect the policy of the State Department.

Senator ELLENDER. Are we stepping in to replace the British?

Mr. ATWOOD. We are not replacing the British.

#### POSSESSIONS UNDER BRITISH CONTROL

Senator ELLENDER. Why do you not let them carry on there? Why should we step in? They are the ones responsible for that area. Why should we spend our dollars to assist British possessions which are still under the control and domination of the British?

Mr. ATWOOD. But they are gaining their independence year by year, increasingly, and it is in the interest of this hemisphere and the security of this hemisphere that those areas develop along lines which are compatible with those of interest to the United States.

Senator ELLENDER. Why are not the British doing it?

Mr. ATWOOD. They are not doing it.

Senator ELLENDER. So we step in and do it.

Mr. ATWOOD. We are coming in with certain aspects supplementing or complementing what the British are able to do in connection with the islands.

Senator ELLENDER. They are not doing anything, I understand.

#### COLONIAL DEVELOPMENT SERVICE

Mr. ATWOOD. Yes, the Colonial Development Service has development programs and the countries themselves are contributing and we are making a small contribution.

Senator ELLENDER. Why is that not sufficient? Why do we not let them handle it?

Mr. ATWOOD. Because we feel it is in our interest to help these countries to attain the institutional and technical levels which will make them peaceful and cooperating members of the inter-American community. That is really what it boils down to.

Senator ELLENDER. Do you know how much you spent in that area last year?

#### TOTAL EXPENDITURES

Mr. ATWOOD. I think the budget was \$250,000. I cannot tell you exactly what the expenditures were.

Senator ELLENDER. I stated in my report that the only expense thus far is chargeable to technical aid, but \$250,000 has been allocated for self-help housing during fiscal year 1959.

Mr. ATWOOD. That information is incorrect, Senator Ellender. We do not have any self-help housing. We have an adviser, one of two advisers who is going around giving technical advice regarding housing in the various islands, but there is no self-help housing project.

Senator ELLENDER. What was the \$250,000 used for then?

Mr. ATWOOD. Part of it was that \$86,000 that was there for agricultural projects.

## BREAKDOWN BY FIELD ACTIVITY

Mr. MURPHY. I can give you a breakdown by field of activity on the \$250,000, if you like, at this point.

Senator ELLENDER. You mean for fiscal year 1959?

Mr. MURPHY. Yes, sir; \$86,000 was in agricultural and forestry and fisheries; \$20,000 in industry and mining; \$15,000 in transportation; \$10,000 in health and sanitation; \$25,000 in education; and \$45,000 in community development.

Senator ELLENDER. You said \$25,000 for education?

Mr. MURPHY. Yes, sir.

## EDUCATION PROGRAM

Senator ELLENDER. I understand there is not a public school on that island; they are all private schools. What type of education program is being operated there?

Mr. MURPHY. Strengthening and expanding rural teacher training institutions to provide the skills which your remark would indicate are clearly needed.

Now, as far as the breakdown of 1960 is concerned—

Senator ELLENDER. How much do you have for Trinidad?

Mr. MURPHY. Virtually nothing for Trinidad.

Senator ELLENDER. You have not spent anything for Trinidad during the last fiscal year, and you do not contemplate spending any this year?

Mr. MURPHY. No, sir.

The \$650,000 that is proposed for fiscal year 1960 is for the eastern Caribbean—

Senator ELLENDER. Will you tell me where that will be spent?

Mr. MURPHY. Yes, sir; I will.

## FISCAL YEAR 1960 BUDGET PROPOSALS

There is assistance proposed for the Barbados and nearby islands in the field of industry to develop handicrafts and for the tourist industry.

There is some assistance for roads in the Leeward and Windward Islands. That is road development and maintenance work.

Senator ELLENDER. All those are British possessions?

Mr. SNOW. Yes, sir.

Mr. MURPHY. Some health and education in the Leeward and Windward Islands.

There is some educational assistance—I mentioned that already. The total proposed for 1960 is \$650,000.

Senator ELLENDER. That is a waste of funds, pure and simple.

## INDEPENDENT GOVERNMENT FOR WEST INDIES

Chairman HAYDEN. May I ask when the British will turn the West Indies over so they will be an independent government?

Mr. ATWOOD. There is no exact date set, but there will be 2 to 4 years before the federation itself gets to a dominion status.

Chairman HAYDEN. They have formed a federation; is that right?

Mr. ATWOOD. They formed a federation in January 1958, the West

Indies Federation, which is a new nation in reality, but the actual turnover of all complete responsibility will not take place until the next few years.

But it has its own Prime Minister and its own Government and it is operating, only there are certain things that are still maintained by the United Kingdom and a Governor General was appointed in January 1958.

Senator ELLENDER. Will that continue after the federation is completed?

Mr. ATWOOD. It will become a dominion just like Canada, sir.

Senator ELLENDER. And the British will have her hands in the foreign policies, customs, and everything that means money?

Mr. ATWOOD. You have to remember that these islands are more closely tied to the Latin American area than they are to Europe in all their economic interests and so on. They are a part of the Western Hemisphere.

And the Congress itself here in 1953 assigned the non-self-governing territories to the Latin American section of ICA rather than to the European section.

Senator ELLENDER. Such expenses as that is what is going to spoil this program. It will make Congress sour on it someday.

#### HIGH PRIORITY PROJECT

Mr. ATWOOD. Senator, all I can say from my experience in the Foreign Service of the United States is that it is determined that it is definitely a high priority as far as the national interest of the United States is concerned.

I am attempting to carry out a technical cooperation program to achieve the foreign policy objectives of the United States as indicated to me by the State Department and that is what I am doing in the West Indies.

And we are trying to do the type of program we talked about earlier. It is technical cooperation program touching the people, not the governments.

That is all.

You know the racial characteristics of those islands. I think the way in which they develop is very important to the future relations of the United States. That is the only justification I can give you.

Senator ELLENDER. I understand. We are having our troubles there.

Mr. ATWOOD. We have Haiti, too, which is a problem.

#### DOMINICAN REPUBLIC

Senator ELLENDER. The only one you are trying to kick around is the Dominican Republic. I do not know why the State Department should want to do this because in my entire travels, since 1952, I never saw one single solitary area which made more progress from 1952 to the time of my visit last year, than the Dominican Republic.

I do not know how it was accomplished. I am not saying that Mr. Trujillo has not made mistakes but he deserves credit for his accomplishments there.

Mr. ATWOOD. We have a small program in the Dominican Republic, in the field of vocational training and education.

Senator ELLENDER. I am talking about the attitude of the State Department toward the Dominican Republic.

Mr. SNOW. Senator, I would like to speak to that point, about the Dominican Republic.

Senator ELLENDER. I wish you would, and clarify it, if you will.

Mr. SNOW. I would like to assure you that we are maintaining perfectly normal and friendly relations with the Dominican Government, and with the Dominican nation.

Senator ELLENDER. Is any effort being made to encourage the downfall of Trujillo?

Mr. SNOW. The Government of the Dominican Republic is the business of the people of the Dominican Republic.

Senator ELLENDER. I understand that, but you take the position, as I understand, that it is a dictatorship.

Mr. SNOW. We have never taken the position that we were the ones to decide what kind of government the Dominican Republic should have.

Senator ELLENDER. So that as far as you know the State Department is satisfied with the manner and method employed to carry on the affairs of the Dominican Republic?

#### POLICY OF NONINTERVENTION

Mr. SNOW. As I said before, we are maintaining perfectly normal relations with the Dominican Republic Government. We practice as well as preach the doctrine of nonintervention in the affairs of the sister republics.

Senator ELLENDER. Is anybody in the Department encouraging, any people either in or out of the country to throw out Trujillo?

Mr. SNOW. Absolutely not.

Senator ELLENDER. I am glad to hear that because I heard differently. I am glad to hear that. Are you encouraging the continuance of that government?

Mr. SNOW. We are maintaining our relations with it. The government is the business of the people of the country.

#### SITUATION IN PARAGUAY

Senator ELLENDER. Is our position toward the so-called dictatorship in Paraguay the same as that which you have described for the Dominican Republic?

Mr. SNOW. The Government of Paraguay is the business of the Paraguayan people. We maintain normal friendly relations with the Paraguayan Government. We have a technical cooperation program of some magnitude in Paraguay. We have had it for some years.

Senator ELLENDER. I know that; it is quite a big one.

Mr. SNOW. Yes, it is quite a big one. We have helped the Paraguayans to finance a new waterplant for the capital city, Asunción.

Senator ELLENDER. I highly recommended that in my report of 1952. I am glad it has been done.

(Discussion off the record.)

## REVOLUTIONS IN LATIN AMERICA

Chairman HAYDEN. I would like to observe that I met a very wise old consul general in Barcelona some years ago. I asked him for an explanation of why there had been so many revolutions and turnovers in Latin America. He had been stationed there a long time.

He said:

Do not forget some historical facts. One was that the Moors were in Spain for some 700 years. They conquered all of Spain rapidly and went into southern France. They were resisted there and finally retreated to the Pyrenees.

With the aid of French knights, Catalonia was recovered in 70 years. In the rest of Spain the return to Christendom was very, very slow. The Spanish knight would take a force and go down and take a Moorish castle. What he took with the sword was his. It took them a long, long time to finally get the Moors out of Spain, at the time of Fernando and Isabella.

At this time Columbus discovered the New World. Here were the finest swordsmen in Europe who with a sword in their hand came to this country. What he could take by the sword was his. They have had that military background which we never had in the United States. Our country was settled by people seeking religious freedom and liberty, a totally different concept. That from the beginning being the situation there it has taken a long, long time to make any change.

(Discussion off the record.)

Chairman HAYDEN. There is a sound historical reason for it.

## INFLUENCE OF THE FEUDAL SYSTEM

Mr. Atwood. Mr. Chairman, I would like to add to that explanation that you got from the consul general in Barcelona the additional fact that the people who settled in the Latin American area south of the United States settled from the Iberian Peninsula at the time that feudalism was at its height. The people who settled the United States and Canada came after feudalism had broken down in northwestern Europe.

So that the whole feudal idea was moved into Latin America. One of the major problems facing the Latin American countries at the present time is trying to break down feudalism in the economic, political, and social sense, which fits in with what you heard regarding the other side of the picture.

## VENEZUELAN PROGRAM

Senator DWORSHAK. Mr. Atwood, I have been checking the Venezuelan budget. I notice you have ——— budgeted. You say credit financing. What does that mean?

Mr. SNOW. That is part of the military program.

Senator DWORSHAK. Is that to be repaid?

General HARTZ. That is right, sir.

Senator ELLENDER. I raised the point, Senator Dworshak, that I did not see any point in our providing cash for that if we are to be reimbursed by Venezuela.

Senator DWORSHAK. They have so much money down there they don't know what to do with it. That is why they are feuding and quarreling among themselves.

BEST AVAILABLE COPY

Senator ELLENDER. I don't see why we should appropriate funds in order to be able to sell to them on credit. It seems silly to me. They are a good credit risk.

Senator DWORSHAK. I agree with you, and question this budget item.

Mr. SHUFF. Senator Dworshak, may I make a comment to that, please? In order for us to extend credit, we have to pay the military department from which we either get inventory stock or who act as agents for the procurement of the material in question. They do not have a bank on which they can draw. We have to cite our funds to them in order that they can either make the procurement or take the hardware out of their inventory and send it to these folks.

Senator DWORSHAK. What do they do with all their oil revenue?

Mr. SHUFF. Sir, I am not an economist.

Senator DWORSHAK. How much military personnel do you have available in training to defend their country?

Mr. SHUFF. The active military strength in Venezuela ———.

Senator DWORSHAK. Are they fully equipped?

Mr. SHUFF. Yes, sir; they are equipped, active, and ready.

Senator YOUNG. What is the justification for military assistance to a country like Venezuela where you don't even know if they are on our side?

Mr. SHUFF. I think, sir, we do know that they are on our side.

Senator YOUNG. They were not when the Vice President was down there.

Mr. SHUFF. Sir, I yield to Mr. Snow on that kind of question.

Senator YOUNG. Why all this rough treatment from a supposedly friendly country? A country that we are helping.

Mr. SNOW. Senator, I think we can assure you that the present Government of Venezuela is well disposed toward our country and that, in the event of serious trouble involving this hemisphere, all of the other nations including our own could count on the Venezuelan armed forces to do their share.

Senator YOUNG. You really think so?

Mr. SNOW. Yes, sir.

Mr. SHUFF. May I suggest this, sir? Knowing that if we do not supply military hardware to some of these countries, and to this country in question we are extending credit for which we are being repaid.

Mr. SNOW. With interest.

Mr. SHUFF. If we do not supply them our experience shows that they go elsewhere for their hardware. ———.

Senator YOUNG. I question the advisability of arming all these countries where they are feuding among themselves. I think you are just helping to stir up trouble. I may be wrong. I am just raising the question.

#### BASIS OF SALE OF MILITARY HARDWARE

Mr. SHUFF. Sir, the arming that we do of South America is a modest undertaking. The basis on which we sell and give military hardware, supplies and training, services and training to Latin American countries is on the basis of their ability and willingness to help us in the antisubmarine warfare mission. It is actually in the defense of our mainland as well as theirs.

(Discussion off the record.)

Mr. SHUFF. Now the history of those countries is that they were born out of military and they have always been military, and I do not think we can stop them on short notice from being at least nominally militant.

(Discussion off the record.)

Mr. SHUFF. Under those circumstances, they have gone to Sweden, the United Kingdom, France, and other countries to buy various kinds of military hardware. Peru, for instance, and Chile have jet airplanes.

(Discussion off the record.)

#### STATUS OF OIL INDUSTRY IN VENEZUELA

Senator DWORSHAK. What is the current status of their oil industry? Isn't it operating very profitably at the present time? I have never been in the country.

Mr. SNOW. You are referring to Venezuela?

Senator DWORSHAK. Yes.

Mr. SNOW. Yes, the oil industry is moving along very well there. On the other hand, the new government inherited a sad financial situation from 10 years of the previous type of government. They are going to get on their feet; they are in the process of doing it.

Senator DWORSHAK. They have been getting on our feet, too.

Mr. SNOW. When they took over they found that Mother Hubbard's cupboard, i.e., the Treasury, was pretty bare. So they were not as affluent as people had previously supposed. I am speaking now of the government.

#### TOTAL LATIN AMERICAN PROGRAM

Senator SALTONSTALL. Mr. Chairman, may I ask just two or three questions? As I understand it, the total aid requested in this Latin American program is \$169.3 million; is that correct?

Mr. MURPHY. That is correct, Senator.

Senator SALTONSTALL. Now the technical assistance of \$45.2 million is an increase over last year. How much of an increase is that?

Mr. MURPHY. It is approximately 25 percent, \$9 million.

Senator SALTONSTALL. \$9 million over last year? Special assistance is \$1.6 million more than last year? The military assistance is an increase over last year. How much?

Mr. MURPHY. It is \$96 million requested for military assistance, which does represent an increase, Senator. But as Secretary Snow has indicated, it is accounted for practically completely by the inclusion of the credit financing in this figure. It is not all grant assistance.

Senator SALTONSTALL. So it is the same?

Mr. MURPHY. The grant assistance is roughly the same.

#### CONTRIBUTION TO ORGANIZATION OF AMERICAN STATES

Senator SALTONSTALL. The yearly contribution to the Organization of American States is the same?

Mr. MURPHY. That is correct, a million and a half dollars.

#### TOTAL RECLAMAS

Senator SALTONSTALL. I understand from Mr. Scott that you don't have the percentages available today on the reclamation but your pro-



portion of the reclamation of \$876 million will be based roughly on the ratio of \$168 million to an authorization of \$4 billion; \$168.4 million to \$4.2 billion. Is that correct?

Mr. MURPHY. I believe that is correct. I would like to double-check it, but it sounds right to me now.

Senator SALTONSTALL. So that on the basis of these reclamation you are going to show us, Mr. Murphy, where the money is going to go if you get the money?

Mr. MURPHY. We hope to do that, Senator, early next week to the best of our ability. Obviously at this point we have to do this in a preliminary manner. You cannot finally reprogram accounts as large as these in a very short time, but we will give you our best judgment.

Senator SALTONSTALL. The program so far as Latin America is concerned is substantially the same as last year, with a little increase in technical assistance?

Mr. MURPHY. That is about correct; yes sir.

Senator SALTONSTALL. Of \$9 million.

Mr. Chairman, might I ask one more question on a subject that is not directly concerned but I would like to put it to Mr. Murphy?

Chairman HAYDEN. Certainly.

#### PROPOSED SUBSTITUTE FOR MORSE AMENDMENT

Senator SALTONSTALL. Mr. Murphy, last week Senators Keating, Javits, and Morse testified as to an amendment which was offered in the authorization bill by Mr. Morse and defeated. They put forth the same amendment here. Now a draft of a suggested change in that amendment that might be considered by this committee was given to me. I would like to read it to you so that it may go in the record, and you may take it to the State Department for its consideration as to how they feel with relation to the Javits, Keating, Morse amendment. This draft reads as follows:

It is the sense of Congress that any attempt by foreign nations to create distinctions because of their race and religion among American citizens in granting of personal and commercial access or any other rights otherwise available to U.S. citizens generally is repugnant to our principles. In all negotiations between the United States and any foreign state arising as a result of funds appropriated under this act every reasonable effort should be made to impress this expression of the sense of Congress upon any nation which creates such discriminations.

Now that has been submitted to me. As I understand it, it was submitted as a draft of this amendment which, if the Congress adopted it, would be a preferable amendment to the one that was submitted by Senator Javits, et al.

Mr. MURPHY. I know how strongly many Members of Congress feel on this issue, Senator Saltonstall. I will be happy to take that amendment to the Department and get an expression of opinion by the Department, not only on this suggestion, but also on the basic amendment offered by Senators Morse, Keating, and Javits.

Senator SALTONSTALL. I believe there is a strong feeling among many Members of Congress that something along these lines should be adopted.

Senator DWORSHAK. Mr. Murphy, if I understood you correctly, a few minutes ago you said that the program planned for 1960 is substantially the same as 1959. But I find on page 3 the total for all

programs in fiscal 1959 was \$129 million and for 1960, \$169 million. Is that correct?

Mr. MURPHY. Yes, sir. This was a qualified statement I made, Senator, because, as Senator Saltonstall said, aside from these two changes; that is, increase in technical cooperation—

Senator DWORSHAK. There is a \$40 million difference in the 2 years.

#### CREDIT FINANCING

Mr. MURPHY. \$25 million of which is accounted for by the introduction of credit financing.

Senator DWORSHAK. Which we will recover?

Mr. MURPHY. Yes, sir, which will be paid back to the United States with interest.

#### INTER-AMERICAN DEVELOPMENT FUND

Senator DWORSHAK. At that point, I would like to make the observation that I supported a proposal to establish the Inter-American Development Fund because I thought we were going to minimize the need of direct assistance and grants and all of this work we have been doing heretofore in order to encourage these Latin American countries to be more independent and to utilize the financial assistance available in the Inter-American Bank to supervise their own development and to stabilize their economies.

What are we going to do? Are we going to continue the other program as well as another far-reaching program?

Mr. MURPHY. The Inter-American Development Fund would not be available to finance on credit terms the purchase of military equipment.

Senator DWORSHAK. I am not talking about military, I am talking about everything.

#### INTER-AMERICAN BANK

Mr. MURPHY. The question of the relationship between the Inter-American Bank and the Development Loan Fund of the mutual security program is a question which does have to be worked out as we go along in the future, and as the new bank comes into existence and becomes operative. We will be probably in a much better position next year to give you the picture.

#### OVERALL OBJECTIVE OF PROGRAM

Senator DWORSHAK. I hope you will try to reduce somewhat the amount of money which has been made available in the program before. I am in accord with the overall objective expressed by Mr. Snow. I regret I did not hear his statement, but in checking it I find that collective hemispheric security is the overall objective. I think we are all in wholehearted accord with that, but again we have blundered wherever we have carried on.

Whenever we face an emergency, Uncle Sam has to carry most of the burden.

Now these people in Latin America are very nationalistic, they are proud of their countries, and their histories, their traditions, and certainly we want to carry on in a forthright cooperative manner and not assume more and more of the responsibilities and thereby mini-

mize the potential contributions which they can make to overall security.

I hope you keep that in mind.

#### PROGRAM IN PANAMA

Mr. Snow, I have been reading with a great deal of interest the information on Panama. I know you have technical assistance of \$1,600,000 for this fiscal year. I also observe there has been considerable assistance from non-ICA sources, Export-Import Bank, World Bank, private banking sources in the United States, and an all-out effort has been made to stabilize the economy in Panama.

Now, can you give us a very brief summary as to the current status of the economic and political conditions there? Are we making some progress? Are we facing more difficulties? What is the situation? We all realize the importance of Panama, how the United States has gone all out to cooperate fully in providing hemispheric solidarity. What can you tell us, briefly, about the situation in Panama?

Mr. Snow. Do you want this on the record?

Mr. Murphy. Suppose we put it on the record, Senator, and have the privilege of revising it?

Senator Dworshak. Yes. Give us a forthright statement.

(Discussion off the record.)

#### PREPARED STATEMENTS AND RECLAMA LETTER

Senator Dworshak. Thank you.

Mr. Murphy. Mr. Chairman, at this point in the record may we insert the reclama letter and certain statements on the nonregional programs which we have not covered at this point?

Chairman Hayden. Without objection, that will be done.

Mr. Murphy. Thank you.

(The information referred to follows:)

#### STATEMENT OF HON. JOHN O. BELL, SPECIAL ASSISTANT FOR MUTUAL SECURITY COORDINATION, DEPARTMENT OF STATE

Mr. Chairman and members of the committee, the administration's request for the President's contingency fund for fiscal year 1960 was \$200 million. The Congress has authorized \$155 million, and this amount is provided by the appropriations bill as it passed the House.

The executive branch urges that the full \$155 million be retained in the appropriations bill, in order that the President may have the resources needed to meet requirements which have arisen and which, experience shows, will arise after the illustrative 1960 programs of military and economic assistance are presented to the Congress.

You will find on pages 141-150 of the worldwide summary volume of the presentation books an explanation of the need for this fund, the kind of requirements which it is intended to meet, and its uses in the past.

Past experience has amply demonstrated that, if the mutual security program is to fulfill its purpose, it must be capable of meeting the most urgent of the requirements which cannot be anticipated 6 to 18 months in advance. The \$147 million of funds available for contingency purposes in fiscal year 1958 was utilized to meet pressing requirements arising from economic difficulties in Spain, the need for budgetary assistance in Jordan following the termination of other foreign aid, the shortfall in financial support of the U.N. Emergency Force, and other situations. In fiscal year 1959 the \$155 million of contingency funds helped Turkey to initiate major economic and fiscal reforms, Sudan and Haiti to meet short-term dislocations in their export earnings, Lebanon to recover

from the strife following the Iraqi revolution, Poland to reduce its economic dependence on the U.S.S.R., and other countries to meet urgent needs.

In some previous years, contingency requirements for economic assistance have exceeded the amount of funds available for contingency uses, and transfers were made from the military assistance appropriation. With the depletion of the unexpended balances in the military assistance pipeline, the reduction in the authorization for military assistance in fiscal year 1960, and the existence of substantial additional requirements for modernization of NATO forces as identified by the Draper Committee, military assistance funds will not be available for transfer to economic accounts. Furthermore, it may well be necessary to utilize contingency funds to meet military needs unforeseen at the time the 1960 program was developed.

Other major mutual security requests, particularly military assistance and defense support, have already been reduced by the authorizing act. These cuts have removed the possibility, which otherwise might have existed, of shifts of funds within these appropriations to meet important new requirements which will undoubtedly arise. It is therefore essential that the \$155 million authorized for fiscal year 1960 and contained in the House appropriations bill be made available to meet such needs, as well as requirements arising since preparation of the 1960 estimates.

In the period since the fiscal year 1960, programs were presented to the Congress, firm requirements involving the use of contingency funds have already been recognized in several situations. Iran is engaged in a substantial buildup and strengthening of its Armed Forces and requires budgetary assistance at a level higher than that proposed in the illustrative fiscal year 1960 defense support program. Haiti's serious balance of payments situation, resulting from a drop in coffee earnings, justifies continuation of U.S. financial support until the new crop is harvested. Grant economic aid to Israel was not included in the detailed program requests for special assistance, and must therefore be financed from the contingency fund.

Recently, two new situations have arisen in the Far East which will require U.S. assistance and for which we could not have planned. There has been an outbreak of fighting in northern Laos, obviously designed by the former Pathet Lao rebels and their North Vietnamese Communist patrons, to keep the Kingdom of Laos and southeast Asia generally in turmoil. In order to assist the Lao forces in restoring order, additional U.S. support has been authorized.

On Taiwan, heavy floods have made over 100,000 Chinese homeless, disrupted communications, and damaged farmlands. Accurate data on the extent of the damage and the cost of reconstruction is not yet available, but it may be necessary to supplement Taiwan's own efforts with extraordinary U.S. assistance from the contingency fund, as well as under title II (emergency relief) of Public Law 480.

In addition to these specific requirements, the executive branch envisages that needs will arise in five categories of situations:

First, there is always the possibility that the Sino-Soviet bloc, which is constantly shifting its tactics in the cold war struggle, will decide to probe free world defenses as it did last fall in attacking the Quemoy-Matsu Islands and is now doing in Laos.

Second, the maintenance of U.S. forces at some of our bases abroad gives rise to problems, particularly in those newly established states which have recently achieved independence. Within some of these states, there is frequently conflict between those elements which are prepared to accept the use of their territory by the United States and those elements who oppose the continued maintenance of U.S. bases in their territory. The judicious use of contingency funds has proven necessary in the past and has been effective in strengthening those elements friendly to us and assuring continued access to the military facilities which we need. This situation may well be repeated in the future.

Third, there are a number of countries throughout the free world whose economies are particularly vulnerable to changes in world economic conditions and which may face serious financial problems if their foreign exchange earnings are adversely affected either by natural disasters or by changes in world prices. In the last year, for example, the Sudan was confronted with very difficult problems arising from its inability to market its primary export crop—cotton. In such situations, we have an opportunity, provided the contingency fund is available, of providing additional assistance to meet these vicissitudes rather than of seeing such economies founder.

Fourth, the Soviet bloc economic offensive, which is seeking to infiltrate free world countries and to tie their economies to the Soviet bloc, continues unabated. While governments receiving Soviet assistance generally believe that they can maintain their independence despite the acceptance of such aid, there has been a growing disillusionment on this score. Yugoslavia, for example, was made acutely aware of the political strings attached to Soviet economic relations, and other states around the periphery of the Soviet bloc have had similar experiences. The availability of the contingency fund may enable us to step in at appropriate times to prevent the submergence of such countries into dependence on the Soviet bloc.

Fifth, contingency funds are extremely useful in helping to mitigate the effects of natural disasters, such as floods, earthquakes, and hurricanes, and manmade causes, such as wars and revolutions. American assistance offered in these situations demonstrate the humanitarian concern of the American people. Contingency funds have thus been important in aiding victims of floods in Pakistan, in Indonesia, and recently in Uruguay; of hurricanes and typhoons in the Caribbean and the Western Pacific; of earthquakes in the Middle East; and of disease epidemics in south Asia and the Far East.

These and other potential needs can only be met from the contingency fund, for which \$155 million—\$45 million less than the President's request—has been authorized and recommended for appropriation by the House. Failure to appropriate the full amount authorized will further reduce the ability of the United States to meet even the gravest emergency situations arising in friendly countries throughout the world.

#### STATEMENT OF PARKER T. HART, DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. Chairman and members of the committee, I am submitting this statement in support of the administration's request for appropriation of \$25 million toward the care and welfare of the Palestine refugees during fiscal year 1960. We are requesting as well the reappropriation for these purposes of prior year unobligated funds.

Today there are nearly a million Palestine refugees occupying camps in Jordan, Gaza, Lebanon, and the Syrian region of the United Arab Republic. I am sure that it is unnecessary to take the time of this committee to review the history and the background of the Arab-Israel conflict which has produced these unfortunate refugees. They continue to be the victims of the political tensions of the area, neither compensated for their losses nor permanently settled.

We continue to urge the parties directly concerned to take steps which might lead to early resolution of the refugee problem. We look primarily to the United Nations for continuing responsibility in this matter which is of such vital concern to the international community. In the final analysis, however, the solutions must come from within the area and with the cooperation of the Arab host governments and of Israel.

Unfortunately, progress has not been made on either repatriation or resettlement with compensation of the refugees. We are fully aware of the deep concern of the Congress about this subject. Last year that concern was expressed in the form of a limitation in section 407 of the Mutual Security Act providing that of the funds appropriated, 15 percent would be available solely for purposes of repatriation or resettlement. There was no opportunity last year for effective utilization of these funds which amount to \$3,750,000. They constitute the major part of the amounts I indicated earlier were not obligated during fiscal year 1959.

The administration proposed that the proviso be deleted for this fiscal year, since it is not believed the continuation of the limitation contributes to resolution of the basic problem. However, in considering this year's authorization bill, the Congress decided to carry forward the proviso, but reduced the earmarking to 10 percent of appropriated funds. Thus, assuming the full authorized \$25 million is appropriated, \$2.5 million will be reserved as available solely for purposes of repatriation or resettlement.

While we continue to strive for a permanent answer to the refugee question, it is imperative that we not falter in the provision of funds to meet their basic needs. As you know, the U.S. contribution is limited to 70 percent of total contributions toward the cost of the relief and rehabilitation program. These programs, administered by the United Nations Relief and Works Agency are

austerity programs. The basic daily ration, for example, consists of 1,600 calories in the wintertime and 1,500 calories in the summer. Food and care for the average refugee is provided at a cost of less than 8 cents a day.

In addition to providing for minimum essential food, shelter, clothing and health needs, UNRWA carries on a severely limited rehabilitation program—limited by the funds available. In the main this latter phase of its activities emphasizes basic education with only limited opportunities for vocational education which would lead toward independent, self-supporting status for the refugee. Unfortunately contributions from the governments are such that even with the United States providing 70 percent of the funds the impact of the rehabilitation program on the total refugee problem is but, at best, marginal.

It is imperative therefore that the United States be in position to pledge amounts for relief and rehabilitation which will encourage maximum contribution from others, and insure the continued welfare of the refugees.

Though \$25 million was appropriated for fiscal year 1959, because of the reservation, but \$21,250,000 of this year's funds were available for our relief and rehabilitation pledge. The United States believed it essential to match its pledge of the previous year by pledging \$23 million last fall for those purposes. It was only through the action of the Congress in making available unobligated prior year funds that we were able to make this pledge.

The total contribution of other governments for fiscal year 1959 was \$9,867,799. As a result, the United States was called upon for, and made payment of, its full \$23 million pledge. We therefore had unobligated at the end of the year but \$678,000, in addition to the amounts referred to as reserved for repatriation or resettlement.

For this year, we believed it essential to be in a position to pledge up to \$25 million for relief and rehabilitation purposes. Not only have costs risen, but so too have the numbers of refugees. Further, we would hope that some rehabilitation programs for these refugees might be expanded during fiscal year 1960 to provide some hope for a brighter future for some of them. However, because of the reservations for purposes of repatriation and resettlement, the utilization of prior year unobligated funds and appropriation for fiscal year 1960 of the \$25 million authorized will still only make possible a pledge for relief and rehabilitation at last year's \$23 million level. I therefore urge full funding in accordance with the request before you.

It is particularly important that we pledge no less than last year. A smaller pledge will certainly be misunderstood as implying a diminution of basic U.S. interest in the refugees themselves, at a time when the future of the United Nations administration of the program is at issue.

The agency's mandate expires June 30, 1960. The United States has clearly indicated its opposition to mere extension of the mandate, believing that other means can and should be developed of seeing to the needs of the refugee, with emphasis on the responsibilities of the governments of the area. The Secretary General has been studying this question and has issued a report which essentially recommends extension of UNRWA's mandate. The United States must evaluate the report carefully and determine its position for the next General Assembly.

In any event, regardless of the form and technique of ministering to refugee needs, it is imperative that we be prepared to contribute to adequate relief and rehabilitation programs for these peoples pending a final solution to their plight.

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STATEMENT OF JOHN W. HANES, JR., ADMINISTRATOR, BUREAU OF SECURITY AND  
CONSULAR AFFAIRS, DEPARTMENT OF STATE

MIGRANTS, REFUGEES, AND ESCAPEES

Mr. Chairman and members of the committee, the inauguration of the World Refugee Year on July 1, 1959, makes particularly appropriate our presentation to you of the progress, programs, and budget for the three nonregional mutual security programs relating to migrants, refugees, and escapees. The total fiscal year 1960 appropriation requested for these three programs, the U.S. escapee program, the United Nations High Commissioner for Refugees, and the Intergovernmental Committee for European Migration, is \$18,500,000. In addition, it is planned to provide a special World Refugee Year program of \$4 million.

The refugee problem with which countries of the free world continue to be

facéd embraces certain broad and interrelated political, economic and humanitarian considerations of direct interest to the United States. The worldwide awareness of and interest in refugee matters is reflected in the creation of the World Refugee Year. On December 5, 1958, the General Assembly of the United Nations adopted a resolution for a World Refugee Year to begin in June 1959. The United States cosponsored and supported this resolution which urged member states to cooperate, in accordance with the national wishes and needs of each country, in promoting a World Refugee Year as a practical means of focusing world attention on the continuing refugee problem.

On May 19, 1959, the President issued a proclamation which designated the period July 1, 1959, to June 30, 1960, as the World Refugee Year and called upon the American public to support generously, either through voluntary welfare agencies or the U.S. Committee for Refugees, the programs developed in furtherance of assistance to refugees.

These developments are entirely consonant with U.S. policy toward refugees. The United States, as the leading opponent of the Soviet system, is looked to for assistance by the refugee individually, and by the governments which afford him asylum. Prompt assistance to refugees and escapees counteracts Soviet propaganda attempts to convince these people that the West is indifferent to their plight. Once reestablished, those who have fled communism become a new source of political strength to the forces of freedom. Conversely, if left to languish without hope in refugee camps, they become fertile ground for the spread of general political unrest and become susceptible to Communist repatriation efforts. Unsettled refugees also constitute a drain on the economies of the countries of asylum. Prompt local integration or resettlement in other countries where their knowledge and skills can be used reduces the pressure for continuing assistance on the part of the United States.

The traditional concern of the American people for the oppressed and the persecuted finds expression in the actions of the U.S. Government as a leader in humanitarian—but practical—world efforts in the refugee field.

I should like to speak first to the regular continuing programs for refugees and migrants. The responsibility within the Department of State for bringing together U.S. Government policies and programs on refugee and migration matters has been assigned to the Office of Refugee and Migration Affairs (ORM). Established in April 1956 in the Bureau of Security and Consular Affairs, ORM provides a prompt and flexible mechanism for the development of refugee policies and programs and for efficient direction and control of field operations. The three main programs under its operational direction are: the U.S. escapee program (USEP), the Intergovernmental Committee for European Migration (ICEM), and the United Nations High Commissioner for Refugees (UNHCR). Each program attacks a different segment of the total problem and, without overlapping or duplication, contributes to the solution of these related problems.

USEP concentrates on the resettlement and local integration of the more recent escapees from behind the Iron Curtain who are of special political interest to the United States; ICEM concentrates on the processing and transportation overseas of migrants and refugees; and the U.N. High Commissioner for Refugees concentrates on the resettlement or local integration of refugees who are not eligible for USEP assistance. A number of these are difficult cases—older refugees who escaped years ago—many of whom are still in camps.

#### *The U.S. escapee program*

The U.S. escapee program (USEP), through its specialized services, provides assistance to Soviet and satellite escapees in Europe from initial reception, interim care, and maintenance to resettlement. Through other special projects USEP gives assistance to selected Soviet orbit escapees in other areas of the world. There were about 44,000 recent escapees registered with USEP in Europe and the Middle East on January 1, 1959. In concentrating its efforts on the early reestablishment of recent escapees, who continue to arrive in the West at the rate of about 800 per month, USEP serves U.S. interests by encouraging continuing liberal asylum and assistance policies in the part of governments of asylum countries and by promoting stability in asylum areas through the resettlement of politically vulnerable groups.

To achieve its objective of extending immediate and direct assistance to escapees, USEP operates through contractual arrangements with private voluntary organizations. These voluntary organizations have the technical know-how necessary for the successful processing of refugees and escapees and are representative of the major U.S. religious and nationality groups. I should like

to stress that the aid rendered through these agencies to the escapees is designed as a supplement to that provided by the governments of asylum.

The services which USEP renders to escapees includes supplementary food, clothing, shelter, sanitary and health services, and language and vocational training facilities. All phases of the program involved in furnishing such aid are closely supervised by the USEP staff through the careful development of program and projects, the negotiation of contracts, control of the registration of new escapees, the review of vouchers for reimbursement, frequent field inspections of activities, and systematic project evaluation and end-use audits.

Primary emphasis is placed on activities which will hasten the prompt resettlement of escapees. Resettlement projects adjusted to the needs of the individual provide registration and individual case counseling and assistance in securing visas. The USEP American staff, with the cooperation of other U.S. and allied security and intelligence agencies, conducts a comprehensive screening of all escapees in order to assure their anti-Communist bona fides and suitability for U.S. assistance. USEP may also provide oversea transportation and, in certain resettlement areas such as those where initial adjustment is difficult, reception and placement aid. Even with the most efficient and expeditious handling, these necessarily careful efforts require from 1 to 2 years to process the average recent escapee to assure that he is properly placed to become an independent, self-sufficient person in his new homeland.

Other USEP resettlement projects provide special reestablishment of difficult cases through institutional placement or local integration in the economies of the asylum countries. Interim assistance projects are designed to improve reception facilities, create better camp conditions and provide food, clothing and medical care and insure special feeding for mothers and infants. Such aid is supplementary to that available from local resources from which over two-thirds of the aid is provided.

Now, perhaps as never before, there is need to continue our efforts in behalf of escapees. Continued aid to those who seek freedom maintains the consistency of our opposition to the Communist tyranny, and gives notice to both the slave world and the free that this cause will not be abandoned. It is important that the United States continue to demonstrate interest in all who escape, including the weak and the handicapped, many of whom will need special attention to become adapted to life in the free world.

By the same gesture, the scientific arsenal of the free world is reinforced. During the past 2 years comparatively large numbers of highly qualified European escapee scientists have entered the United States. To facilitate the continuing entry of such scientists, a contractual arrangement has been made with the National Academy of Sciences which is now completing an evaluation of over 900 more cases, including physicists, mathematicians, chemists, electrical, civil and mechanical engineers, and other natural scientists such as biologists and geologists. The Far East refugee program of the U.S. escapee program has assisted several hundred representatives of the scientific and academic fields to enter the United States under the terms of Public Law 85-816. One recent payload of anti-Communist escapees from Hong Kong included a professor of mathematics, a distinguished physicist, an M.I.T. graduate chemical engineer, an aeronautical engineer, a surgeon, an educator with a doctorate of education from Columbia University, and over 20 other unusually qualified persons.

The success of the escapee program and other free world assistance to refugees continues to be reflected in the intensity of the Soviet and satellite antiemigration campaign. It is cunningly designed to discredit and demoralize emigre groups, especially by inducing the repatriation of refugees. The Communist instigated special publications for refugees, the radio broadcasts, the individual letters and visits, and the activities of the Soviet Committee for Return to the Homeland (and its satellite counterparts) all continue relentlessly.

During fiscal years 1958 and 1959, in the interest of placing USEP assistance to new refugees on a more current basis, a concentrated effort was begun to find a satisfactory solution for those escapees who fled their homeland more than 3 years ago. Already we have achieved a substantial degree of success; approximately 85 percent of such cases have been removed from the caseload. This involved the reestablishment of most of the so-called difficult to resettle and handicapped cases that constitute much of the older caseload. Most of these persons had already previously been rejected for resettlement by immigration countries.



This effort to clean up the old caseload will be continued and intensified during the coming year. Oversea resettlement, where possible, will get priority emphasis, including further efforts to develop new resettlement opportunities. However, an increasing number of local placements through institutional care or other permanent integration arrangements in asylum countries will also be carried out. The completion of the special program by January 1, 1960, should enable USEP henceforth to devote all its effort to the new escapee so as to insure his reestablishment within a maximum period of 3 years from his escape date.

Since its beginning in 1952 USEP has helped over 300,000 escapees. Due to our success in reducing the caseload through resettlement and local integration, we are requesting only \$5.2 million for USEP for fiscal year 1960, a reduction of \$3.4 million from the \$8.6 million appropriated in 1959.

#### *The Intergovernmental Committee for European Migration*

ICEM was organized on U.S. initiative at the Brussels Conference on Migration in 1951, initially with 15 members. There are now 28 government members. Although not a United Nations body, ICEM collaborates closely with the International Labor Office and the United Nations High Commissioner for Refugees.

ICEM's primary purpose is to facilitate and increase the movement of migrants and refugees out of Europe, who would not otherwise be moved; and simultaneously to supply needed manpower to the developing economies of overseas immigration countries, such as Australia, Canada, the Latin American countries, New Zealand, South Africa, and Rhodesia. Austria, Italy, Spain, the Netherlands, and Greece are overpopulated countries in Europe requiring international assistance to move excess populations. Selected emigration must still take place from Germany, due mostly to her unbalanced population structure, the residual presence of large number of non-German refugees, and the constant arrival of German refugees from Soviet-controlled areas.

The United States is interested in maintaining economic and political viability in these friendly allied countries in Europe. This purpose will be jeopardized if these countries remain overburdened by more population—whether nationals or refugees—than their economies can absorb in terms of available space and capital investment.

ICEM moved 810,000 persons out of Europe between January 1, 1952, and December 31, 1958. Of this total, approximately 45 percent were refugees included in the total refugee groups were 62,722 Hungarian refugees moved to overseas countries. In addition, 12,035 European refugees were removed from Communist China through Hong Kong during the same period. Of the nonrefugee groups moved by ICEM, one-third has consisted of wives and children joining the breadwinner of the family who has preceded them overseas. These family reunions have contributed to the stabilization of recent migration.

Total movements in 1957 were 180,000, the highest of any year in ICEM's experience. With fewer Hungarians to be moved out of Europe and the lessening of political and economic pressures on migrants in Europe, overseas movements totaled 94,000 in 1958 of which 30,000 were refugees. In 1959 and 1960, total movements are expected to approximate 125,000 per year.

Since the substantial movement in 1957, there has been a growing demand in receiving countries for better balance in their total intake between skilled and unskilled immigrants. It is estimated that each skilled immigrant makes possible the employment of three unskilled indigenous or immigrant workers. In response to this demand, ICEM has assisted immigration governments to improve their procedures for determining requirements in terms of the numbers and skills of immigrants and for selecting such immigrants abroad; and has given technical assistance to emigration countries, such as Italy and Greece, in organizing language, vocational, and orientation courses for migrants already preselected for emigration. In addition, efforts have been made to exploit new opportunities for emigration from Europe developing in Rhodesia and the Union of South Africa.

To provide the U.S. contribution to ICEM for these movements, an appropriation for fiscal year 1960 in the amount of \$12,200,000 is requested (pursuant to the permanent authorization for appropriations contained in section 405(a) of the Mutual Security Act of 1954, as amended), a reduction of \$300,000 from fiscal year 1959. Of this amount, \$900,213 is for administrative expenditure and \$11,299,787 for operational expenditure. The U.S. contribution to the operational expenditure is voluntary and may not exceed 45 percent of the cash con-

tributions of all member governments; the administrative expenditure contribution is obligatory.

#### *The United Nations High Commissioner for Refugees*

The United Nations High Commissioner for Refugees (UNHCR) was authorized by a United Nations General Assembly resolution of December 2, 1957, to conduct a program to succeed the United Nations Refugee Fund (UNREF) which ended December 31, 1958. The UNHCR's program is flexible, designed to avoid rigid long-term plans by enabling governments to determine on an annual basis the specific refugee problems to which they wish to contribute during the particular year and which can be eliminated or reduced by international effort during that year.

During 1959 and 1960 the new program will be engaged in completing certain of the unfinished undertakings of the UNREF program including primarily the camp clearance program. The balance of the new program will be concentrated upon a few selected categories of refugees for whom material aid is considered to be an international responsibility, as opposed to those for whom solutions can reasonably be expected from the governments of the countries in which the refugees are located. These selected categories include particularly refugee families with children living under substandard conditions and physically handicapped or aged refugees. Aid will also be continued for refugees of European origin leaving China, and to meet any new refugee emergencies which may arise.

The implementation of the program is supervised by an executive committee, on which the United States serves, and which approves specific programs and authorizes appeals for funds.

The \$1.1 million requested for 1960 is a reduction of \$100,000 from the amount appropriated for the High Commissioner's program last year. This reduction, while taking into account the continued significance of the Soviet orbit refugees as a symbol of freedom in the cold war, also serves notice on the governments of the countries of asylum that international aid is available only for a diminishing number of refugees who clearly constitute an international responsibility. The U.S. contribution of \$1.1 million will be made subject to the condition that it not exceed one-third of the total contributions to the UNHCR program from all governments for this purpose in 1960.

#### *Other programs*

In addition to these three major operational responsibilities, ORM is currently concerned with urgent problems involving refugees (mostly Jewish) from the United Arab Republic, Dutch from Indonesia, Algerians in Tunisia and Morocco, refugees from Indochina in Thailand, and migrants from the Ryukyus. There will possibly be a need to assist Tibetan refugees. Similar problems concern Palestinian Arab refugees, but these problems are discussed in another part of this presentation. Each of these special problems is important to U.S. foreign policy considerations.

#### *The World Refugee Year*

Despite the vast amount of assistance which the United States and other countries have and are giving from private and public funds for the relief of refugees, the free world still faces the spectacle of over 2 million refugees who may be considered to need some form of international assistance. There are nearly 1 million Palestine-Arab refugees and a million Chinese refugees in Hong Kong. There are 210,000 refugees in north Africa; 13,000 Tibetan refugees in India; and 110,000 escapees in Europe from behind the Iron Curtain. A careful review indicates that about 43,000 of these escapees would emigrate from Europe should the opportunity be available.

It is because of this vast problem that the United States is supporting the World Refugee Year. Following the President's proclamation, a White House meeting on refugees was held on May 21-22, 1959, to which some 175 prominent American citizens were invited by the President. The administration announced at this meeting plans for its \$4 million program over and above its normal refugee programs outlined earlier in this statement. The programs for the World Refugee Year will concentrate on attempting to assist the UNHCR, along with contributions of other governments and of, public and private agencies to complete during the year the entire camp clearance program in Europe (not merely the completion of the UNHCR target scheduled for fiscal year 1960); added aid to out-of-camp refugees in Europe; added emer-

gency aid to Algerian refugees; added aid to Greek ethnics in Greece added aid to Chinese refugees in Hong Kong; and increased assistance to provide vocational training to Palestine refugees.

The funding of these programs will be through use of fiscal year 1959 and 1960 MSP funds, except for \$730,000 designated for completion of the movement in 1960 of the balance of the refugees of European origin through Hong Kong from Red China. This represents an increase in ICEM's program for this activity, but does not exceed the overall limitation of 45 percent of U.S. contribution to the total ICEM contributions received. The Department of State recognizes that more funds could be spent to meet the great needs of the refugees, but it feels that no additional U.S. Government funds should be programmed until the contributions of the general public and of other countries are known.

In the United States, the major private effort for the World Refugee Year finds a focus in the establishment of the U.S. Committee for Refugees under the chairmanship of the Very Reverend Francis B. Sayre, Jr., dean of the Washington Cathedral. The membership is composed of outstanding public citizens, many of whom represent the voluntary welfare agencies working in behalf of refugees.

The committee has set its goal to raise from private sources \$20 million over and above the normal programs of the agencies, which will be spent on the chairmanship of the Very Reverend Francis B. Sayre, Jr., dean of the Washington Cathedral.

Much progress has been made in the various segments of the overall refugee program. One of the most significant achievements has been the resettlement and integration of almost all the Hungarian refugees who fled from Hungary following the October 1956 revolt. Of the 200,000 Hungarian refugees who escaped to Austria and Yugoslavia by the end of 1957, none now remain in Yugoslavia and only 13,000 remain in Austria. Of the 13,000 probably not more than 5,000 wish to emigrate.

In spite of the efforts made and the generous help which the governments of the free world, the international organizations, and private agencies have given to hundreds of thousands of refugees since the end of the last war, there still remains a significant and complex refugee problem to be solved. It is not a temporary problem; neither is it a static one. As an outgrowth of modern political development, it is a problem which poses an extremely delicate and difficult task which is international in scope and combines a demand for firmness and resolution with great human understanding, patience, and imagination. The United States, particularly during the worldwide focus of attention on refugees, is expected to maintain its traditional leadership in the accepted task of achieving the maximum of assistance to refugees during the World Refugee Year.

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STATEMENT BY WILLIAM P. SNOW, DEPUTY ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS

Mr. Chairman and members of the committee, I take pleasure in presenting this statement in support of our proposed annual contribution under the Mutual Security Act to the technical assistance program of the Organization of American States. As in recent years we are requesting the sum of \$1,500,000 which would be pledged with the proviso that our final contribution will not exceed 70 percent of the total amount contributed by all member states.

Since its inception in 1951 we have been the principal contributor to this program, and our annual support is required if it is to continue the very worthwhile training and investigative work which has thus far proven of undeniable benefit to all participating countries.

The OAS program supplements and cooperates with our vastly larger bilateral activities in the field of technical training. The OAS program, unlike our bilateral programs, is regional in nature and through the establishment of training centers and seminars, in which all member countries have the right to participate, students from many countries are brought together to pursue common interests, for the most part in a common tongue, to compare problems related to the economic and social growth of their respective countries and to acquire common skills which they, in turn, can impart to their own countries.

All of the American Republics share in the joint OAS program and our participation therein is in consonance with section 503 of the Mutual Security Act of

1958, which states it to be the sense of Congress that the executive branch should "seek to strengthen cooperation in the Western Hemisphere to the maximum extent by encouraging joint programs of technical and economic development."

The projects carried out under the OAS program are supervised by cooperating agencies having a high degree of specialized competence. These include the Inter-American Statistical Institute, the Pan American Union, the Pan American Institute of Geography and History, the Inter-American Institute of Agricultural Sciences, the Pan American Sanitary Organization and the Inter-American Children's Institute. Their supervision and cooperation have resulted in technically sound development of the various projects.

Most of the projects included in the technical cooperation program of the OAS are of a specialized nature and have no direct counterpart in our bilateral programs. Among these I may mention the center for research on hoof-and-mouth disease in Brazil, the training course in social welfare programs in Argentina, the inter-American workshop on the care of crippled children in Mexico, the statistical training center in Chile and the iron and steel seminar in Argentina. These projects, as well as those not specifically mentioned here, should bring benefits, either economic or social, throughout the area and will continue to do so provided our assistance is maintained.

Latin America's increasing desire for an expansion of multilateral economic and technical development activities has been reiterated in recent months, both in the working groups of the "Committee of 21" which met in Washington during the early months of the year to prepare basic studies and subsequently in resolutions emerging from the meeting of the committee, itself, in Buenos Aires in April.

We may, in due course, be called upon for an increase in our annual pledge to the OAS multilateral technical and economic cooperation program, but until such time as the member states can establish an acceptable plan for increased financing, on either a voluntary or quota basis, it is not our intention to request additional funds for this program. We know, however, that our present contribution is a vital one for the continuation of this worthwhile, cooperative program and we strongly urge that it be continued.

A detailed breakdown of the OAS program will be found on pages 285 through 288 of the presentation book for Latin America copies of which have been provided to members of the committee.

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#### STATEMENT OF JOHN L. HOLCOMBE, DIRECTOR, OFFICE OF PROGRAMING AND CONTROL (ISA)

Mr. Chairman and members of the committee, in prior year presentations, members of congressional committees have experienced some difficulty in evaluating the budget request because a large portion of the military assistance program had not been allocated to regions or countries. This year programs have been distributed by country wherever possible. The remaining programs which will be discussed today, are those which at this time cannot be specifically allocated by country. They are included in the volume labeled "Nonregional Programs" on the pages indicated.

##### *Aircraft modernization and missiles (p. 5)*

In addition to the funds requested as part of the country programs for aircraft modernization and missiles, there are two specific projects which cannot be allocated to specific countries. In 1959, Northrop Corp. was awarded a contract by the Air Force to adapt the supersonic trainer, the T-38, then under development, to meet the need in certain countries for a supersonic aircraft having reduced maintenance and operating costs. Fourteen million dollars was programmed for this purpose in fiscal year 1959. During this period, the trainer version has been successfully flown. The first fighter version successfully completed a 40-minute flight on July 30 and has completed several additional flights since. Another \$11.8 million is requested to continue this project in fiscal year 1960 and a remaining estimated \$8 million is planned for budgeting in fiscal year 1961.

In addition to this new aircraft, \$24.4 million is requested to improve the military capabilities and operational performance of existing aircraft and NIKE missiles which were produced and delivered before the modifications and improvements were standardized.

*Mutual weapons development program (MWDP) (p. 9)*

This program provides financial and technical assistance to our allies, normally on a matching basis, for the development of new military equipment designed suitable for their combat operating and manufacturing capabilities. So far, this program has been conducted entirely in the NATO countries but projects outside of NATO may subsequently be undertaken. This program not only puts our allies in a position to assume the burden of part of their own military supply without using scarce dollars, but it also provides, through bilateral agreements, that the United States itself may use any technical knowledge or produce any weapons developed under this program. For example, the French have developed effective antitank missiles which are being purchased from France by other countries in Europe and by the United States for its own forces. Technical management of this program is the responsibility of the director of defense research and engineering. For fiscal year 1960, he has under consideration projects estimated to require \$84 million. From these after selection and negotiation, an estimated \$40 million of the most promising high priority projects will be approved. This is the same amount that has been made available for this program in recent years.

*Credit financing and NATO maintenance (p. 12)*

Under authority given by the Congress in fiscal year 1958 in section 103(c), a sales program requiring \$75 million in credit assistance is planned for fiscal year 1960. This will provide military readiness that would otherwise have to come from grant aid and, in the main, it will be financed from reimbursements from other credit extended in prior years, reuse of which is authorized by the Mutual Security Act. Although this extension does not require any new obligational authority, in order to present to Congress the full picture of our operation, the requirements have been included in the presentation and the total fiscal requirements reduced by the amount of anticipated reimbursements to arrive at the requested new obligational authority. Wherever possible, anticipated credit sales have been included in the program data for the specific countries concerned.

Individual country requirements for many items used in military equipment maintenance are frequently insufficient for economical procurement by the country. Sometimes requirements can be met by transferring stocks from one country to another just as we transfer between depots in our Military Establishment. To facilitate cooperative efforts, spare parts, procurement and distribution, the United States proposed, and NATO has created, a maintenance supply services system. First priority is assigned to it for the development of a NATO supported supply program for aircraft and vehicle maintenance which was previously supported and funded by the United States. In order to assist this NATO effort to become self-supporting, it will be necessary for the United States to advance \$25 million to the NATO system agency to finance the procurement of required materiel. The advance will be amortized over a 3-year period as the individual countries buy from the central stockage points. It is expected that the agency ultimately will become financially self-sustaining.

*Overseas internal security program (OISP) (p. 13)*

In certain countries in the Near and Far East, a major threat to security and our mutual agreements arises from the lack of units, equipment, and training to counter or prevent subversion and infiltration. This threat can be alleviated by U.S. assistance in financing and supplying equipment and training for security and counterintelligence detachments. Where these units are civilian in nature, they are assisted by ICA under its economic program. Where they are part of the defense establishment of the country, training and specialized equipment or instruction is provided under the military assistance program. For this purpose, \$8 million is requested in 1960 which is the same amount programmed for 1959 and about 75 percent of the amount programmed in 1958.

*Weapons production program (WPP) (p. 14)*

I have already discussed U.S. efforts to increase the self-sufficiency of our allies through providing assistance in the development of their own weapons and through credit assistance to finance purchases from the United States. Another important part of this effort is our encouragement and participation in a coordinated European production program. By the provision of technical assistance, samples of materiel, and some specialized tooling, this program encourages the European NATO nations to provide much larger sums for their own participation in these coordinated production activities. Such a program for the Hawk, a low-altitude antiaircraft missile, is in advanced stages of planning and

is expected to require most of the \$20 million requested. Similar programs for Sidewinder and several antisubmarine devices are also under active consideration with an ally.

*Miscellaneous nonregional programs (p. 15)*

The \$7.6 million requested under this category in fiscal year 1960 is entirely to meet costs for the storage and maintenance of materiel owned by the military assistance program, principally in the Far East. As the bulk of U.S. ground forces were withdrawn from the Far East, stocks of materiel in that area had to be either shipped back to the United States or held out then for use of MAP supported forces. To ship them home and then later send similar materiel to the Orient within a few months or years for MAP would not have been economical. In the interest of achieving this economy bulk stock transfers were made to the military assistance program at no cost or greatly reduced price. Costs of maintenance of these stocks is carried by the military assistance program. One transaction of this type provided \$115 million worth of equipment and ammunition to our allies at a charge to MAP of less than \$50 million, and, more important, it meant that the program had immediate support to meet the Communist attack on Quemoy without the delay of shipment from the United States.

*Taiwan emergency*

I would like to explain the effect on the fiscal year 1959 military assistance program of the Taiwan emergency and the reductions in the congressional appropriation. The total program for Taiwan to meet the emergency created by the Communist attack on the island of Quemoy was \$311 million. About one-half of this (\$153 million) was made available without charge, except for transportation, from excess stocks of the military departments or materiel already on hand by the military assistance program. By revision of the fiscal year 1959 regular Taiwan program, \$20 million was provided and another \$70 million was obtained by deviations of items which were ordered, manufactured, and, in some cases, in the process of being shipped to other countries from prior year military assistance programs; \$23 million was provided from sales receipts, much of which was paid in advance of the date required by the credit sales agreements; \$24 million came from cancellation of the Iraq program after the coup d'etat in that country; and, finally, \$21 million was available from the unobligated balance as of the 30th of June 1958.

*Deferral of modernization and other requirements*

In fiscal year 1959 Congress appropriated \$285 million less than the \$1,800 million requested. This required that modernization of the allied forces in this amount be deferred and it is being again requested in the 1960 program here before you. Of this amount, \$121 million was in missiles for NATO (\$74 million for Hawk, \$24 million for Sidewinder, \$19 million for Lacrosse, and \$4 million for Terrier), \$38 million was in aircraft modernization, \$28 million for F-100's in Denmark and Turkey, and \$10 million in modern antisubmarine patrol aircraft for France. Ship modernization in the amount of \$10 million had to be deferred in Korea and Pakistan. The \$14 million requested to build up war reserve ammunition in France, Greece, Spain, Turkey, and Korea had to be deferred to 1960 as was \$15 million for modernization of electronics equipment in France and Korea. The weapons production program had to be cut by \$16 million and \$4 million came out of the internal security program for countries in southeast Asia. The balance of \$67 million is composed of a large number of small items of many countries.

As I have said, the items specified above which had to be cut to meet the congressional reduction are again being requested in the fiscal year 1960 program. The net result of such reductions is to cause a stretchout in providing an effective defense posture.

**STATEMENT OF MARKLEY SHAW, ISA COMPTROLLER, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS**

Mr. Chairman and members of the committee, this statement presents the fiscal year 1960 military assistance program requirements for the support of the following nonregional programs: International Military Headquarters, NATO infrastructure, accessorial costs, and administrative expenses.

## INTERNATIONAL MILITARY HEADQUARTERS

One of the least expensive programs funded from "Military assistance" appropriations is the support of the International Military Headquarters. The operations are jointly financed by member governments in accordance with government-to-government and international agreements and under accepted cost-sharing formulas. This request for \$8 million covers expenses for NATO International Military Headquarters and associated agencies, the Central Europe Operating Agency, administrative costs of the NATO Maintenance Supply Services Agency, the SEATO Permanent Military Planning Staff, and the combined military planning staff of the Baghdad Pact.

The countries participating in each of these activities and percentage of each countries' contribution is as follow :

| Country                          | NATO International Military Headquarters | CEOA   | NMISA  | SEATO  | Baghdad Pact military planning organization |
|----------------------------------|--|--------|--------|--------|---|
| United States.....               | 24.20                                    | 39.00  | 23.70  | 23.00  | 20.00                                       |
| United Kingdom.....              | 19.50                                    | 10.50  | 20.71  | 16.00  | 20.00                                       |
| France.....                      | 17.10                                    | 16.00  | 18.10  | 13.50  |   |
| Federal Republic of Germany..... | 16.10                                    | 10.49  | 17.10  |        |   |
| Italy.....                       | 5.96                                     |        | 6.33   |        |   |
| Canada.....                      | 5.80                                     | 3.00   |        |        |   |
| Belgium.....                     | 2.86                                     | 10.49  | 3.04   |        |   |
| Netherlands.....                 | 2.85                                     | 10.49  | 3.03   |        |   |
| Denmark.....                     | 1.65                                     |        | 1.75   |        |   |
| Turkey.....                      | 1.63                                     |        | 1.75   |        | 20.00                                       |
| Norway.....                      | 1.15                                     |        | 1.22   |        |   |
| Portugal.....                    | .65                                      |        | .59    |        |   |
| Greece.....                      | .39                                      |        | .42    |        |   |
| Luxembourg.....                  | .09                                      | .03    | .10    |        |   |
| Iceland.....                     | .05                                      |        |        |        |   |
| Pakistan.....                    |  |        |        | 8.00   | 20.00                                       |
| Thailand.....                    |  |        |        | 8.00   |   |
| Iran.....                        |  |        |        |        | 20.00                                       |
| Australia.....                   |  |        |        | 13.50  |   |
| New Zealand.....                 |  |        |        | 8.00   |   |
| Philippines.....                 |  |        |        | 8.00   |   |
| Total.....                       | 100.00                                   | 100.00 | 100.00 | 100.00 | 100.00                                      |

*NATO Military Headquarters and agencies*

Of the funds being requested for fiscal year 1960, the largest amount is \$6,400,000 for the support of the NATO International Military Headquarters. The NATO headquarters consists of the two primary military commands—Supreme Headquarters, Allied Powers Europe (SHAPE), and the Supreme Allied Commander Atlantic (Saclant)—and the Channel Command, the Standing Group, and several military agencies such as the NATO Defense College, the Military Agency for Standardization, and the European Radio Frequency Agency. The costs included in the international budgets for the headquarters and agencies are limited to civilian salaries and wages, operating support (utilities, office supplies, and equipment), maintenance of building and equipment, operation of military communications, and capital items. Pay and allowances of military personnel and supporting military equipment and hardware are the responsibility of the individual government furnishing the personnel and equipment.

The total contribution of the United States toward this support is estimated at \$37.4 million through June 30, 1959.

Each NATO headquarters and agency budget is first reviewed by the supreme command involved; next is submitted to the Standing Group for approval from the military viewpoint; then to the NATO Military Budget Committee for final analysis, appraisal, and recommendation. The NATO Council, upon the recommendation of its Military Budget Committee, formally approves the budget estimates and authorizes the Secretary General to request funds from member countries as required by the commands and agencies in accordance with effective cost-sharing formula. The U.S. interest is expressed at each successive stage of the budget formulation, review analysis, and final approval. The accounts of each headquarters and agency are audited annually by auditors selected from member countries and appointed by the NATO Council.

*Central Europe Operating Agency*

Jet fuel storage and distribution projects are being constructed under the NATO infrastructure program. The projects within the individual countries in Europe have been so planned as to result in an areawide system. By agreement of the eight countries concerned it is operated by an agency of the NATO Council known as the Central Europe Operating Agency. The eight Central Europe NATO countries using the facilities have agreed to contribute to the cost of management and administration in accordance with the estimates of their withdrawals. The system was designed to meet wartime requirements; however, its peacetime utilization will be about 20 to 25 percent of design capacity. The managers of the system anticipate that after all construction is completed and all elements of the system are operational, the income from sales will be sufficient to cover the costs of operations, including overhead. In the meantime, the management expenses are being funded by contributions from each using country.

*NATO Maintenance Supply Services Agency*

The United States has encouraged the development of a single supply service for the NATO military forces as a means of reducing the overall cost to NATO of procuring and maintaining stocks for the maintenance of military equipment. Like the Central Europe Operating Agency it is expected that the NATO Maintenance Supply Services Agency will be self-supporting after a year or two of operations, but under NATO agreements the administrative type costs in the meantime are supplied through contributions of the United States and other participating countries.

*SEATO permanent military planning staff*

The SEATO permanent military planning staff was established in 1957. As in NATO, the services of military personnel are contributed by the various participating countries. However, the support of their headquarters and activities is funded through contributions from each member country.

*Combined military planning staff, Baghdad Pact*

The United States, being a member of the Baghdad Pact military committee, has agreed to contribute toward the support of the committee's operations. The support is on the same basis as that provided other international military operations.

The status of the U.S. obligations and U.S. expenditures for each of the activities under the international military headquarters and agencies program is as follows:

*International Military Headquarters—U.S. obligations and U.S. expenditures*

(In thousands of dollars)

|   | Actual,<br>fiscal year<br>1958 | Estimated,<br>fiscal year<br>1959 | Estimated,<br>fiscal year<br>1960 |
|---|--------------------------------|-----------------------------------|-----------------------------------|
| Obligations, total.....                             | \$5,649                        | \$7,500                           | \$8,000                           |
| NATO international military headquarters.....       | 5,427                          | 6,230                             | 6,400                             |
| NATO Maintenance Supply Services Agency.....        |                                | 170                               | 200                               |
| Central Europe Operating Agency.....                | 92                             | 1,000                             | 1,300                             |
| Combined military planning staff, Baghdad Pact..... |                                | 60                                | 70                                |
| SEATO permanent planning staff.....                 | 30                             | 30                                | 30                                |
| Expenditures, total.....                            | 5,395                          | 7,400                             | 8,000                             |

The \$500,000 increase in the fiscal year 1960 estimate for the international military headquarters and agencies program is due to the increase in management responsibilities the international authorities have required the headquarters and agencies to assume. This trend can be expected to continue as a means of obtaining greater efficiency and less overall costs than if each country were to maintain separate management groups.

## NATO INFRASTRUCTURE

The military assistance appropriation is the source of the U.S. contribution to NATO infrastructure, a multilateral program designed to provide facilities,



for military forces assigned or earmarked for NATO commands, which would otherwise be beyond the financial capabilities of the individual NATO member countries.

The Congress has provided in section 104(a) of the Mutual Security Act of 1954, as amended, that the United States may contribute up to \$1 billion to meet the U.S. share of this commonly financed program.

Infrastructure was initiated by the Western Union Defense Organization prior to the establishment of NATO. That portion of the program to which the United States did not contribute was called the first slice. NATO infrastructure began with the second slice in 1950, and has continued in annual increments or slices since that date.

In the early years it was the practice of NATO to determine the amount of contribution each country could make through the process of negotiation. The basis for the negotiations changed as the membership of NATO increased, and as the economic benefits of each year's program was determined. For the last several years the cost sharing has remained static since no basis for change has appeared.

The U.S. percentage of the cost of infrastructure (net of taxes) has dropped from 41.82 percent for slice II to 34.02 percent of slices VIII through XI, the latter being the program currently under development.

Projects to be included in any slice are proposed by the NATO military supreme commands. They are carefully screened by the experts on the NATO international staff and after authorization by the NATO Council are constructed to the minimum standards established by NATO by country authorities on land contributed by the host country. During the course of construction the projects are inspected by engineers of the NATO military headquarters construction experts of the international staff and representatives of the construction agencies of the countries concerned. Expenditures of international infrastructure funds are audited by a NATO appointed board of auditors on which the United States has representation. The infrastructure operation of NATO is considered one of the outstanding accomplishments of international effort.

Through the third quarter of 1958 NATO has authorized the construction of approximately \$2.4 billion of construction in 14 NATO countries. Because of geographic location the largest volume of the work is in France, with Turkey, Italy, and Norway being next in importance. Against this authorization it is estimated that as of December 31, 1958, 57.3 percent or \$1.4 billion will have been expended.

The original NATO slice authorized only airfields and signal communication projects. War headquarters were added to the list in slice III. Jet fuel storage and distribution facilities were included in slice IV. Later naval facilities, radio navigational aids, training installations, and radar were included.

Now NATO is studying the requirements for NATO financed storage facilities which cannot possibly be funded on a unilateral basis. Only by central storage arrangements can the requirements for reserve stocks be economically established and maintained.

The status of U.S. obligations and U.S. expenditures for infrastructure is as follows:

[In thousands of dollars]

|                             | Actual,<br>fiscal year<br>1958 | Estimated,<br>fiscal year<br>1959 | Estimated,<br>fiscal year<br>1960 |
|-----------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Obligations:                |                                |                                   |                                   |
| During year.....            | 49,990                         | 70,000                            | 70,000                            |
| Cumulative end of year..... | 377,551                        | 647,551                           | 717,551                           |
| Expenditures:               |                                |                                   |                                   |
| During year.....            | 60,115                         | 70,000                            | 70,000                            |
| Cumulative end of year..... | 452,167                        | 522,167                           | 592,167                           |

NOTE.—This table includes \$51,000,000 for national use from MAP appropriation and excludes \$140,000,000 available from military functions appropriations.

Additional program detail is shown on p. 11 of the brown nonregional presentation book.

## ACCESSORIAL COSTS

With the exception of \$7.6 million these costs are spread through the country programs in the presentation books to show the total costs of procuring and delivering material items and services, including the packing, crating, handling, and transportation expenses, as well as overseas procurement and inspection costs. Individual military assistance accounts are maintained to reflect the costs of accessorial activities. They have been accumulated here to show the total costs involved in the delivery of military assistance items.

This estimate includes, as a portion of the overall accessorial costs, the expenses involved in the maintenance and storage of MAP owned equipment. The amount of \$7.6 million is not distributed by country and is shown as a miscellaneous nonregional program amount in the detailed program listing on page 41 of the worldwide summary presentation book.

[In thousands of dollars]

|                   | Actual,<br>fiscal year<br>1958 | Estimated,<br>fiscal year<br>1959 | Estimated,<br>fiscal year<br>1960 |
|-------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Obligations.....  | 155,711                        | 179,700                           | 146,000                           |
| Expenditures..... | 164,320                        | 153,742                           | 150,700                           |

The reduction in the fiscal year 1960 estimate is due to the reduction in the volume of deliveries planned for fiscal year 1960. The value of deliveries in fiscal year 1959 is estimated at \$2.2 billion. The comparable figure for fiscal year 1960 is \$1.8 billion. It is the ratio between these two amounts which establishes the fiscal year 1960 accessorial cost estimate.

## ADMINISTRATIVE EXPENSES

The costs of administering and operating the military assistance program are met from military department appropriations and the military assistance appropriation, with the addition of services and facilities (assistance in kind) furnished by some recipient countries.

The military departments bear a large share of the total costs through furnishing required military personnel, equipment, and facilities to carry out the military assistance program. Typical expenses funded from the military department appropriations are (1) pay and statutory allowances of military personnel in the field and in Washington, (2) medical expenses, including facilities of military personnel and their dependents, (3) approximately half the costs of the travel expenses incident to the change of station of military personnel, and (4) operation and maintenance of facilities for personnel and for recreation.

Mutual security funds are used to pay for those additional administrative and operational requirements which are not met by the equipment and facilities furnished by the military departments. Such requirements generated by the military assistance advisory groups (MAAG's) and other overseas activities, as well as departmental operations, must be clearly identified as additional to normal service programs in order to qualify for mutual security funds. The costs of administrative activities concerned exclusively with the military assistance program in the office of the Secretary of Defense, and in the military departments, including U.S. field organizations (Air Materiel Command and Air Training Command), qualify for mutual security funding as do the costs related to the support of the MAAG's and the five regional groups overseas. The regional groups are the Office of Defense Affairs of the U.S. Mission to NATO and European regional organizations (USRO), and the military assistance elements of the unified commands, CINCEUR, CINCPAC, and CINCARIB.

The administrative support furnished the MAAG's is supplied in large part in many countries by the U.S. embassies, thus avoiding duplication of support functions. The Department of State is reimbursed from military assistance funds for the support rendered.

The Bureau of the Budget has established the allowance for administrative expenses for fiscal year 1960 at \$25 million or at the same level as established for fiscal year 1959.

[In thousands of dollars]

|                   | Actual,<br>fiscal year<br>1959 | Estimated,<br>fiscal year<br>1959 | Estimated,<br>fiscal year<br>1960 |
|-------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Obligations.....  | 21,816                         | 25,000                            | 25,000                            |
| Expenditures..... | 20,001                         | 24,000                            | 25,500                            |

This program is further described on page 4 of the brown nonregional presentation book.

Supporting schedules showing the distribution of administrative and personnel costs and average personnel strengths by individual country and activity, and comparative summaries of obligations by object class are attached.

#### RECLAMA

Mr. Chairman, I ask for your approval to call attention to the communication of June 26, 1959, from the President of the United States, transmitting proposed appropriations for the fiscal year 1960 mutual security programs—House of Representatives Document No. 188. Under the military assistance item the President had included the provision "that the unexpended balances of funds heretofore made available under the heading 'Military construction, foreign countries, in chapter IX of the Supplemental Appropriation Act 1953, shall be consolidated with this appropriation'; \* \* \*". The House Appropriations Committee in H.R. 8385 did not include that recommendation.

The proposed language consolidates into one account funds made available to the Department of Defense for infrastructure by the Supplemental Appropriation Act 1953 (which have all been obligated) with funds made available to the President for infrastructure by the Mutual Security Act of 1954, as amended, and allocated by him to the Department of Defense. The consolidation of these funds will permit liquidation of all obligations for infrastructure from one account and will not result in any additional expense to appropriations. The unexpended balance is estimated, as of June 30, 1959, at \$40 million. The original amount made available for infrastructure from this appropriation was \$140 million.

The consolidation of these funds into one account will eliminate the maintenance of separate accounts by the Department of the Treasury, Bureau of the Budget, and within the Department of Defense at the various implementing levels. It is considered that such consolidation is in accordance with the desire of Congress for economical and efficient administration of the military assistance program.

It is requested that this provision be further considered and be made a part of the fiscal year 1960 appropriation language.

## DEPARTMENT OF DEFENSE—TOTAL DEPARTMENTAL AND OVERSEAS

Comparative summary of direct obligations by object class—Administrative expenses,  
military assistance program

|  | Actual, 1958 |             | Estimate, 1960 |             | Estimate, 1960 |             |
|--|--------------|-------------|----------------|-------------|----------------|-------------|
|  | Num-<br>ber  | Amount      | Num-<br>ber    | Amount      | Num-<br>ber    | Amount      |
| <b>MILITARY PERSONNEL</b>  |              |             |                |             |                |             |
| Total number of permanent positions .....                                    | 2,183        | .....       | 2,143          | .....       | 2,134          | .....       |
| Average number of permanent personnel .....                                  | 2,123        | .....       | 2,129          | .....       | 2,101          | .....       |
| Average number of military personnel .....                                   | 2,123        | .....       | 2,129          | .....       | 2,101          | .....       |
| Payment above basic rates, military per-<br>sonnel: Station allowances ..... |              | \$2,638,064 |                | \$2,785,243 |                | \$2,787,421 |
| Total military personnel .....   | 2,123        | 2,638,064   | 2,129          | 2,785,243   | 2,101          | 2,787,421   |
| <b>CIVILIAN PERSONNEL</b>  |              |             |                |             |                |             |
| Permanent positions, United States .....                                     | 1,319        | 7,716,487   | 1,258          | 7,766,951   | 1,241          | 7,865,328   |
| Deduct lapse .....   | 99           | 012,944     | 68             | 369,559     | 53             | 243,235     |
| Net permanent personnel, United<br>States .....                              | 1,220        | 7,103,543   | 1,190          | 7,397,392   | 1,188          | 7,422,093   |
| Average permanent local personnel .....                                      | 462          | 328,572     | 461            | 407,870     | 457            | 414,387     |
| Average part time and temporary person-<br>nel .....                         | 1            | 13,897      | 3              | 32,600      | 3              | 32,600      |
| Average employment, all civilian<br>personnel .....                          | 1,683        | 7,446,012   | 1,654          | 7,837,762   | 1,648          | 7,868,980   |
| Regular pay in excess of 52-week base .....                                  |              | 20,063      |                | 27,292      |                | 29,307      |
| Payment above basic rates, civilian per-<br>sonnel:                          |              |             |                |             |                |             |
| Allowances .....   |              | 249,420     |                | 310,882     |                | 309,223     |
| Overtime and holiday pay .....   |              | 133,576     |                | 147,542     |                | 138,486     |
| Total, civilian personnel .....  | 1,683        | 7,855,070   | 1,654          | 8,323,478   | 1,648          | 8,345,975   |
| <b>DIRECT OBLIGATIONS</b>  |              |             |                |             |                |             |
| 01 Personal services .....   |              | 10,363,134  |                | 11,078,721  |                | 11,103,596  |
| 02 Travel .....  |              | 4,359,331   |                | 4,688,756   |                | 4,669,366   |
| 03 Transportation of things .....  |              | 1,690,837   |                | 1,758,657   |                | 1,694,111   |
| 04 Communications services .....   |              | 83,741      |                | 81,360      |                | 82,140      |
| 05 Rents and utilities services .....  |              | 43,265      |                | 49,705      |                | 49,694      |
| 06 Printing and reproduction .....   |              | 70,839      |                | 70,200      |                | 75,100      |
| 07 Other contractual services .....  |              | 5,335,007   |                | 5,848,563   |                | 5,830,290   |
| Services performed by other<br>agencies .....                                |              | (4,847,251) |                | (5,300,000) |                | (5,300,000) |
| 08 Supplies and materials .....  |              | 678,566     |                | 559,450     |                | 555,030     |
| 09 Equipment .....   |              | 492,988     |                | 393,299     |                | 448,784     |
| Passenger vehicles .....   |              |             |                | (85,740)    |                | (75,620)    |
| 10 Lands and structures .....  |              | 28,690      |                |             |                |             |
| 11 Grants, subsidies, and contributions .....                                |              |             |                |             |                |             |
| Retirement contribution .....  |              | 433,578     |                | 454,533     |                | 476,807     |
| 13 Refunds, awards, indemnities .....  |              | 12,440      |                | 10,200      |                | 10,800      |
| 15 Taxes and assessments .....   |              | 8,762       |                | 4,566       |                | 4,492       |
| Total direct obligations .....   |              | 23,631,778  |                | 25,000,000  |                | 25,000,000  |

## DEPARTMENT OF DEFENSE—DEPARTMENTAL AND U.S. FIELD, MAP (INCLUDES U.S. REGULAR ORGANIZATION)

Comparative summary of direct obligations by object class—Administrative expenses, military assistance program

|  | Actual, 1958 |             | Estimate, 1959 |             | Estimate, 1960 |             |
|--|--------------|-------------|----------------|-------------|----------------|-------------|
|  | Num-<br>ber  | Amount      | Num-<br>ber    | Amount      | Num-<br>ber    | Amount      |
| <b>MILITARY PERSONNEL</b>  |              |             |                |             |                |             |
| Total number of permanent positions.....                               | 196          |             | 205            |             | 201            |             |
| Average number of permanent personnel.....                             | 196          |             | 205            |             | 201            |             |
| Average number of temporary duty personnel.....                        |              |             |                |             |                |             |
| Average number of military personnel.....                              | 196          |             | 205            |             | 201            |             |
| Payment above basic rates, military personnel: Station allowances..... |              | \$25, 108   |                | \$20, 400   |                | \$24, 800   |
| Total military personnel.....  | 196          | 25, 108     | 205            | 20, 400     | 201            | 24, 800     |
| <b>CIVILIAN PERSONNEL</b>  |              |             |                |             |                |             |
| Permanent positions, United States.....                                | 1,060        | 6, 442, 616 | 983            | 6, 453, 194 | 966            | 6, 340, 824 |
| Deduct lapse.....  | 86           | 543, 957    | 45             | 323, 240    | 28             | 201, 124    |
| Net permanent personnel, United States.....                            | 964          | 5, 898, 559 | 938            | 6, 129, 954 | 938            | 6, 139, 700 |
| Average permanent local personnel.....                                 |              |             |                |             |                |             |
| Average part-time and temporary personnel.....                         | 1            | 13, 897     | 3              | 32, 500     | 3              | 32, 500     |
| Average employment all civilian personnel.....                         | 964          | 5, 912, 456 | 941            | 6, 162, 454 | 941            | 6, 172, 200 |
| Payment to other agencies for reimbursement details.....               |              |             |                |             |                |             |
| Regular pay in excess of 52-week base.....                             |              | 23, 607     |                | 23, 481     |                | 23, 862     |
| Payment above basic rates, civilian personnel:                         |              |             |                |             |                |             |
| Allowances.....  |              | 38, 902     |                | 50, 200     |                | 46, 400     |
| Overtime and holiday pay.....  |              | 118, 740    |                | 129, 035    |                | 120, 000    |
| Total civilian personnel.....  | 965          | 6, 063, 705 | 941            | 6, 365, 140 | 941            | 6, 362, 462 |
| <b>DIRECT OBLIGATIONS</b>  |              |             |                |             |                |             |
| 01 Personal services.....  |              | 6, 118, 813 |                | 6, 394, 540 |                | 6, 387, 262 |
| 02 Travel.....   |              | 707, 074    |                | 826, 757    |                | 803, 377    |
| 03 Transportation of things.....                                       |              | 17, 562     |                | 18, 000     |                | 18, 000     |
| 04 Communications services.....  |              | 55, 439     |                | 56, 850     |                | 57, 000     |
| 05 Rents and utilities services.....                                   |              | 1, 432      |                | 1, 000      |                | 1, 000      |
| 06 Printing and reproduction.....                                      |              | 64, 947     |                | 65, 100     |                | 65, 000     |
| 07 Other contractual services.....                                     |              | 98, 396     |                | 111, 729    |                | 110, 000    |
| Services performed by other agencies.....                              |              |             |                |             |                |             |
| 08 Supplies and materials.....   |              | 24, 413     |                | 24, 940     |                | 25, 000     |
| 09 Equipment.....  |              | 49, 203     |                | 43, 560     |                | 48, 500     |
| Passenger vehicles.....  |              |             |                |             |                |             |
| 11 Grants, subsidies, and contributions.....                           |              |             |                |             |                |             |
| Retirement contribution.....   |              | 366, 294    |                | 378, 025    |                | 399, 000    |
| 19 Refunds, awards, indemnities.....                                   |              | 12, 189     |                | 9, 100      |                | 9, 700      |
| 16 Taxes and assessments.....  |              | 2, 283      |                | 2, 399      |                | 2, 461      |
| Total direct obligations.....  |              | 7, 518, 045 |                | 7, 930, 000 |                | 7, 968, 300 |

## DEPARTMENT OF DEFENSE—OVERSEAS

Comparative summary of direct obligations by object class—Administrative expenses,  
military assistance program

|  | Actual, 1958 |             | Estimate, 1960 |             | Estimate, 1960 |             |
|--|--------------|-------------|----------------|-------------|----------------|-------------|
|  | Num-<br>ber  | Amount      | Num-<br>ber    | Amount      | Num-<br>ber    | Amount      |
| <b>MILITARY PERSONNEL</b>  |              |             |                |             |                |             |
| Total number of permanent positions.....                               | 1,997        | -----       | 1,938          | -----       | 1,933          | -----       |
| Average number of permanent personnel.....                             | 1,927        | -----       | 1,924          | -----       | 1,900          | -----       |
| Average number of temporary-duty personnel.....                        | -----        | -----       | -----          | -----       | -----          | -----       |
| Average number of military personnel.....                              | 1,927        | -----       | 1,924          | -----       | 1,900          | -----       |
| Payment above basic rates, military personnel: Station allowances..... | -----        | \$2,512,956 | -----          | \$2,725,843 | -----          | \$2,732,621 |
| Total, military personnel.....   | 1,927        | 2,512,956   | 1,930          | 2,725,843   | 1,923          | 2,732,621   |
| <b>CIVILIAN PERSONNEL</b>  |              |             |                |             |                |             |
| Permanent positions, United States.....                                | 269          | 1,273,971   | 275            | 1,313,757   | 275            | 1,324,604   |
| Deduct lapse.....  | 13           | 68,987      | 23             | 46,319      | 26             | 42,111      |
| Net permanent personnel, United States.....                            | 256          | 1,204,984   | 252            | 1,267,438   | 250            | 1,282,393   |
| Average permanent local personnel.....                                 | 462          | 328,572     | 461            | 407,870     | 467            | 414,357     |
| Average part-time and temporary personnel.....                         | -----        | -----       | -----          | -----       | -----          | -----       |
| Average employment, all civilian personnel.....                        | 718          | 1,533,556   | 713            | 1,675,308   | 707            | 1,696,750   |
| Payment to other agencies for reimbursement details.....               | -----        | -----       | -----          | -----       | -----          | -----       |
| Regular pay in excess of 52-week base.....                             | -----        | 2,456       | -----          | 3,841       | -----          | 5,445       |
| Payment above basic rates, civilian personnel:                         | -----        | -----       | -----          | -----       | -----          | -----       |
| Allowances.....  | -----        | 210,518     | -----          | 260,682     | -----          | 262,833     |
| Overtime and holiday pay.....  | -----        | 14,835      | -----          | 18,607      | -----          | 18,498      |
| Total, civilian personnel.....   | 718          | 1,761,365   | 713            | 1,938,338   | 707            | 1,983,518   |
| <b>DIRECT OBLIGATIONS</b>  |              |             |                |             |                |             |
| 01 Personal service.....   | -----        | 4,274,321   | -----          | 4,684,181   | -----          | 4,716,134   |
| 02 Travel.....   | -----        | 3,652,257   | -----          | 3,861,909   | -----          | 3,805,979   |
| 03 Transportation of things.....                                       | -----        | 1,673,275   | -----          | 1,742,657   | -----          | 1,676,111   |
| 04 Communication services.....   | -----        | 28,302      | -----          | 24,510      | -----          | 25,140      |
| 05 Rents and utilities services.....                                   | -----        | 41,833      | -----          | 48,705      | -----          | 48,694      |
| 06 Printing and reproduction.....                                      | -----        | 5,892       | -----          | 5,100       | -----          | 10,100      |
| 07 Other contractual services.....                                     | -----        | 5,237,211   | -----          | 5,786,824   | -----          | 5,720,290   |
| Services performed by other agencies.....                              | -----        | (4,857,251) | -----          | (5,300,000) | -----          | (5,300,000) |
| 08 Supplies and materials.....   | -----        | 654,163     | -----          | 634,510     | -----          | 630,030     |
| 09 Equipment.....  | -----        | 443,785     | -----          | 381,739     | -----          | 400,284     |
| Passenger vehicles.....  | -----        | -----       | -----          | (85,740)    | -----          | (78,620)    |
| 10 Lands and structures.....   | -----        | 28,660      | -----          | -----       | -----          | -----       |
| 11 Grants, subsidies, and contributions.....                           | -----        | -----       | -----          | -----       | -----          | -----       |
| Retirement contribution.....   | -----        | 67,284      | -----          | 76,506      | -----          | 77,807      |
| 13 Refunds, awards, indemnities.....                                   | -----        | 251         | -----          | 1,100       | -----          | 1,109       |
| 15 Taxes and assessments.....  | -----        | 6,479       | -----          | 2,187       | -----          | 2,081       |
| Total direct obligations.....  | -----        | 16,113,733  | -----          | 17,070,000  | -----          | 17,012,709  |

## DEPARTMENT OF DEFENSE

## MAP administrative expenses

(In thousands of dollars)

|  | Fiscal year<br>1958<br>(actual) | Fiscal year<br>1959<br>(estimated) | Fiscal year<br>1960<br>(estimated) |
|--|---------------------------------|------------------------------------|------------------------------------|
| Departmental and field (United States) (includes USRO).... | \$7,518                         | \$7,930                            | \$7,986                            |
| Overseas:  |                                 |                                    |                                    |
| Commander in Chief, Europe.....                            | 565                             | 577                                | 580                                |
| Belgium.....   | 434                             | 488                                | 451                                |
| Denmark.....   | 233                             | 290                                | 240                                |
| Ethiopia.....  | 55                              | 157                                | 193                                |
| France.....  | 675                             | 748                                | 736                                |
| Germany.....   | 367                             | 397                                | 394                                |
| Greece.....  | 661                             | 667                                | 631                                |
| Iran.....  | 316                             | 280                                | 268                                |
| Iraq.....  | 93                              | 109                                |                                    |
| Italy.....   | 611                             | 580                                | 600                                |
| Libya.....   | 37                              | 44                                 | 50                                 |
| Netherlands.....   | 323                             | 237                                | 279                                |
| Norway.....  | 282                             | 293                                | 312                                |
| Pakistan.....  | 401                             | 439                                | 429                                |
| Portugal.....  | 292                             | 257                                | 247                                |
| Spain.....   | 344                             | 365                                | 397                                |
| Turkey.....  | 721                             | 769                                | 821                                |
| United Kingdom.....  | 130                             | 143                                | 191                                |
| Yugoslavia.....  | 107                             | 10                                 |                                    |
| U.S. element Baghdad Pact.....                             | 88                              | 68                                 | 71                                 |
| Subtotal, Europe and Near East.....                        | 6,709                           | 6,859                              | 6,960                              |
| Commander in Chief, Pacific.....                           | 222                             | 356                                | 387                                |
| Cambodia.....  | 281                             | 318                                | 327                                |
| Japan.....   | 633                             | 762                                | 857                                |
| Korea.....   | 169                             | 243                                | 570                                |
| Philippines.....   | 800                             | 467                                | 471                                |
| Taiwan.....  | 1,567                           | 1,700                              | 972                                |
| Thailand.....  | 467                             | 501                                | 490                                |
| Vietnam.....   | 592                             | 412                                | 531                                |
| SEATO Permanent Military Planning Staff.....               | 37                              | 44                                 | 41                                 |
| Subtotal, Far East and Pacific.....                        | 4,458                           | 4,801                              | 4,676                              |
| Commander in Chief, Caribbean.....                         | 33                              | 62                                 | 66                                 |
| Chile.....   | 4                               | 8                                  | 3                                  |
| Colombia.....  | 2                               | 3                                  | 3                                  |
| Cuba.....  | 1                               | 1                                  |                                    |
| Dominican Republic.....                                    | 31                              | 36                                 |                                    |
| Ecuador.....   | 2                               | 4                                  | 4                                  |
| Guatemala.....   | 1                               | 2                                  | 2                                  |
| Honduras.....  | 1                               | 2                                  | 2                                  |
| Nicaragua.....   | (1)                             | (1)                                | (1)                                |
| Peru.....  | 1                               | 5                                  | 5                                  |
| Uruguay.....   | 3                               | 3                                  | 3                                  |
| Subtotal, Western Hemisphere.....                          | 79                              | 110                                | 78                                 |
| Total overseas.....  | 11,256                          | 11,770                             | 11,714                             |
| Total overseas and departmental.....                       | 18,774                          | 19,700                             | 19,700                             |
| State support.....   | 4,260                           | 4,300                              | 4,300                              |
| IOA.....   | 598                             | 1,000                              | 1,000                              |
| Grand total.....   | <sup>1</sup> 23,632             | 25,000                             | 25,000                             |

<sup>1</sup> \$200 or less.<sup>2</sup> Represents gross obligations. Net obligations fiscal year 1958 \$21,816,000.

## Average personnel strengths, MAP administrative expense

|  | Fiscal year 1958<br>(actual) |                        |                          | Fiscal year 1959<br>(estimated) |                        |                          | Fiscal year 1960<br>(estimated) |                        |                          |
|--|------------------------------|------------------------|--------------------------|---------------------------------|------------------------|--------------------------|---------------------------------|------------------------|--------------------------|
|  | Milit-<br>tary               | U.S.<br>civil-<br>ians | Lo-<br>cals <sup>1</sup> | Milit-<br>tary                  | U.S.<br>civil-<br>ians | Lo-<br>cals <sup>1</sup> | Milit-<br>tary                  | U.S.<br>civil-<br>ians | Lo-<br>cals <sup>1</sup> |
| <b>Departmental and field (U.S.):</b>  |                              |                        |                          |                                 |                        |                          |                                 |                        |                          |
| Departmental:  |                              |                        |                          |                                 |                        |                          |                                 |                        |                          |
| Army.....  | 55                           | 436                    | .....                    | 55                              | 405                    | .....                    | 55                              | 405                    | .....                    |
| Navy.....  | 34                           | 162                    | .....                    | 34                              | 144                    | .....                    | 34                              | 144                    | .....                    |
| Air Force.....   | 32                           | 115                    | .....                    | 32                              | 120                    | .....                    | 32                              | 120                    | .....                    |
| O&D (including USRO).....  | 68                           | 150                    | .....                    | 72                              | 154                    | .....                    | 68                              | 154                    | .....                    |
| <b>Total.....</b>  | <b>184</b>                   | <b>853</b>             | <b>.....</b>             | <b>193</b>                      | <b>823</b>             | <b>.....</b>             | <b>189</b>                      | <b>823</b>             | <b>.....</b>             |
| Field, U.S. (Air Force).....   | 12                           | 112                    | .....                    | 12                              | 118                    | .....                    | 12                              | 118                    | .....                    |
| <b>Total, Zone of Interior.....</b>  | <b>196</b>                   | <b>965</b>             | <b>.....</b>             | <b>205</b>                      | <b>941</b>             | <b>.....</b>             | <b>201</b>                      | <b>941</b>             | <b>.....</b>             |
| <b>Overseas:</b>   |                              |                        |                          |                                 |                        |                          |                                 |                        |                          |
| Commander in chief, Europe.....  | 82                           | 36                     | .....                    | 82                              | 83                     | .....                    | 82                              | 83                     | .....                    |
| Belgium.....   | 72                           | 10                     | .....                    | 64                              | 10                     | .....                    | 64                              | 10                     | .....                    |
| Denmark.....   | 38                           | 7                      | .....                    | 37                              | 7                      | .....                    | 37                              | 7                      | .....                    |
| Ethiopia.....  | 5                            | .....                  | .....                    | 23                              | 2                      | .....                    | 33                              | 3                      | .....                    |
| France.....  | 90                           | 30                     | .....                    | 84                              | 30                     | .....                    | 84                              | 30                     | .....                    |
| Germany.....   | 90                           | 32                     | .....                    | 85                              | 28                     | .....                    | 73                              | 28                     | .....                    |
| Greece.....  | 146                          | 12                     | .....                    | 120                             | 12                     | .....                    | 120                             | 12                     | .....                    |
| Iran.....  | 53                           | 5                      | .....                    | 52                              | 4                      | .....                    | 51                              | 4                      | .....                    |
| Iraq.....  | 16                           | .....                  | .....                    | 10                              | .....                  | .....                    | .....                           | .....                  | .....                    |
| Italy.....   | 84                           | 17                     | .....                    | 86                              | 18                     | .....                    | 83                              | 15                     | .....                    |
| Libya.....   | 14                           | 1                      | .....                    | 14                              | 1                      | .....                    | 14                              | 1                      | .....                    |
| Netherlands.....   | 47                           | 7                      | .....                    | 48                              | 7                      | .....                    | 48                              | 7                      | .....                    |
| Norway.....  | 53                           | 7                      | .....                    | 50                              | 7                      | .....                    | 51                              | 7                      | .....                    |
| Pakistan.....  | 60                           | 1                      | .....                    | 69                              | 1                      | .....                    | 69                              | 1                      | .....                    |
| Portugal.....  | 50                           | 7                      | .....                    | 45                              | 7                      | .....                    | 43                              | 7                      | .....                    |
| Spain.....   | 87                           | 17                     | .....                    | 85                              | 17                     | .....                    | 85                              | 17                     | .....                    |
| Turkey.....  | 149                          | 23                     | 100                      | 140                             | 17                     | 103                      | 137                             | 15                     | 99                       |
| United Kingdom.....  | 19                           | 5                      | .....                    | 26                              | 9                      | .....                    | 25                              | 9                      | .....                    |
| U.S. element, Baghdad Pact.....  | 6                            | 1                      | .....                    | 6                               | 2                      | .....                    | 6                               | 2                      | .....                    |
| <b>Subtotal, Europe and Near East.....</b>   | <b>1,166</b>                 | <b>218</b>             | <b>100</b>               | <b>1,126</b>                    | <b>209</b>             | <b>103</b>               | <b>1,105</b>                    | <b>208</b>             | <b>99</b>                |
| Commander in chief, Pacific.....   | 43                           | .....                  | .....                    | 48                              | .....                  | .....                    | 48                              | .....                  | .....                    |
| Cambodia.....  | 60                           | .....                  | .....                    | 60                              | .....                  | .....                    | 60                              | .....                  | .....                    |
| Japan.....   | 144                          | 21                     | .....                    | 114                             | 22                     | .....                    | 114                             | 21                     | .....                    |
| Korea.....   | 51                           | 8                      | 10                       | 56                              | 12                     | 8                        | 56                              | 12                     | 6                        |
| Philippines.....   | 64                           | 7                      | 8                        | 63                              | 7                      | 8                        | 63                              | 7                      | 8                        |
| Taiwan.....  | 196                          | .....                  | 344                      | 257                             | .....                  | 344                      | 257                             | .....                  | 344                      |
| Thailand.....  | 70                           | 2                      | .....                    | 67                              | 2                      | .....                    | 70                              | 2                      | .....                    |
| Vietnam.....   | 120                          | .....                  | .....                    | 120                             | .....                  | .....                    | 120                             | .....                  | .....                    |
| SEATO permanent military planning staff.....   | 7                            | .....                  | .....                    | 6                               | .....                  | .....                    | 7                               | .....                  | .....                    |
| <b>Subtotal, Far East and Pacific.....</b>   | <b>755</b>                   | <b>34</b>              | <b>369</b>               | <b>791</b>                      | <b>43</b>              | <b>356</b>               | <b>795</b>                      | <b>43</b>              | <b>356</b>               |
| Commander in chief, CARIB (including Chile, Colombia, Cuba, Ecuador, Guatemala, Honduras, Nicaragua, Peru, Uruguay)..... | .....                        | .....                  | .....                    | .....                           | .....                  | .....                    | .....                           | .....                  | .....                    |
| Dominican Republic.....  | 6                            | .....                  | .....                    | 7                               | .....                  | .....                    | .....                           | .....                  | .....                    |
| <b>Subtotal, Western Hemisphere.....</b>   | <b>6</b>                     | <b>.....</b>           | <b>.....</b>             | <b>7</b>                        | <b>.....</b>           | <b>.....</b>             | <b>.....</b>                    | <b>.....</b>           | <b>.....</b>             |
| <b>Total overseas.....</b>   | <b>1,927</b>                 | <b>256</b>             | <b>463</b>               | <b>1,924</b>                    | <b>252</b>             | <b>461</b>               | <b>1,900</b>                    | <b>250</b>             | <b>457</b>               |
| <b>Total overseas and departmental.....</b>  | <b>2,123</b>                 | <b>1,221</b>           | <b>463</b>               | <b>2,129</b>                    | <b>1,193</b>           | <b>461</b>               | <b>2,101</b>                    | <b>1,191</b>           | <b>457</b>               |

<sup>1</sup> Excludes state support direct hire locals.



Map mission training expenses <sup>1</sup>

(In thousands of dollars)

|                                   | Fiscal year<br>1958 (actual) | Fiscal year<br>1959<br>(estimated) | Fiscal year<br>1960<br>(estimated) |
|-----------------------------------|------------------------------|------------------------------------|------------------------------------|
| Commander in chief, Europe area:  |                              |                                    |                                    |
| Ethiopia.....                     | \$242                        | \$344                              | \$376                              |
| Germany.....                      | 418                          | 673                                | 302                                |
| Greece.....                       | 118                          | 198                                | 243                                |
| Iran.....                         | 698                          | 1,347                              | 824                                |
| Saudi Arabia.....                 | 1,159                        | 1,715                              | 1,588                              |
| Spain.....                        | 43                           | 113                                | 68                                 |
| Turkey.....                       | 1,816                        | 1,913                              | 2,115                              |
| Subtotal, CINCEUR area.....       | 4,494                        | 6,303                              | 5,514                              |
| Commander in chief, Pacific area: |                              |                                    |                                    |
| Japan.....                        | 595                          | 732                                | 620                                |
| Korea.....                        | 2,678                        | 4,853                              | 9,012                              |
| Taiwan.....                       | 4,367                        | 3,584                              | 4,282                              |
| Thailand.....                     | 1,390                        | 1,284                              | 1,251                              |
| Vietnam.....                      | 1,073                        | 1,269                              | 1,280                              |
| Subtotal, CINOPAC area.....       | 10,103                       | 11,722                             | 16,445                             |
| Grand total obligations.....      | 14,597                       | 18,025                             | 21,959                             |

<sup>1</sup> As defined in Department of Defense Instruction 2110.16, project account 414.

## Average personnel strengths, MAP mission training

|  | Fiscal year 1958<br>(actual) |                        |                          | Fiscal year 1959<br>(estimated) |                        |                          | Fiscal year 1960<br>(estimated) |                        |                          |
|--|------------------------------|------------------------|--------------------------|---------------------------------|------------------------|--------------------------|---------------------------------|------------------------|--------------------------|
|  | Milit-<br>ary                | U.S.<br>civil-<br>ians | Lo-<br>cals <sup>1</sup> | Milit-<br>ary                   | U.S.<br>civil-<br>ians | Lo-<br>cals <sup>1</sup> | Milit-<br>ary                   | U.S.<br>civil-<br>ians | Lo-<br>cals <sup>1</sup> |
| Commander in chief, Europe area:       |                              |                        |                          |                                 |                        |                          |                                 |                        |                          |
| Ethiopia.....                          | 29                           |                        |                          | 30                              |                        |                          | 30                              |                        |                          |
| Germany.....                           | 150                          | 3                      | 71                       | 113                             | 2                      | 50                       | 84                              | 3                      | 49                       |
| Greece.....                            | 29                           |                        |                          | 36                              |                        |                          | 35                              |                        |                          |
| Iran.....                              | 202                          | 6                      | 76                       | 223                             | 4                      | 76                       | 295                             | 4                      | 76                       |
| Saudi Arabia.....                      | 341                          | 2                      | 1                        | 388                             | 1                      | 1                        | 384                             | 1                      | 1                        |
| Spain.....                             | 14                           |                        |                          | 26                              |                        |                          | 24                              |                        |                          |
| Turkey.....                            | 258                          | 82                     | 103                      | 254                             | 74                     | 103                      | 272                             | 47                     | 105                      |
| Subtotal, Europe and Near<br>East..... | 1,023                        | 93                     | 251                      | 1,070                           | 81                     | 230                      | 1,124                           | 54                     | 222                      |
| Commander in chief, Pacific area:      |                              |                        |                          |                                 |                        |                          |                                 |                        |                          |
| Japan.....                             | 113                          | 19                     |                          | 81                              | 18                     |                          | 81                              | 18                     |                          |
| Korea.....                             | 1,898                        | 69                     | 681                      | 1,031                           | 71                     | 739                      | 1,742                           | 63                     | 744                      |
| Taiwan.....                            | 1,413                        |                        |                          | 1,378                           |                        |                          | 1,345                           |                        |                          |
| Thailand.....                          | 195                          |                        |                          | 184                             |                        |                          | 175                             |                        |                          |
| Vietnam.....                           | 572                          |                        |                          | 572                             |                        |                          | 572                             |                        |                          |
| Subtotal, Far East.....                | 4,191                        | 88                     | 681                      | 3,846                           | 89                     | 739                      | 3,915                           | 110                    | 744                      |
| Total (overseas).....                  | 8,214                        | 181                    | 932                      | 4,916                           | 170                    | 969                      | 5,039                           | 164                    | 966                      |

<sup>1</sup> Does not include locals hired through state direct support.

## MAP average personnel strengths, fiscal year 1960 (estimated)

| Country  | Administrative |                  |       | Training         |                |       | Total    |                |       |       |
|--|----------------|------------------|-------|------------------|----------------|-------|----------|----------------|-------|-------|
|  | Military       | U.S. civilians   | Local | Military         | U.S. civilians | Local | Military | U.S. civilians | Local | Total |
| Belgium.....                                     | 64             | 10               |       |                  |                |       | 64       | 10             |       | 74    |
| Denmark.....                                     | 37             | 7                |       |                  |                |       | 37       | 7              |       | 44    |
| Ethiopia.....                                    | 33             | 3                |       | 30               |                |       | 63       | 3              |       | 66    |
| France.....                                      | 84             | 30               |       |                  |                |       | 84       | 30             |       | 114   |
| Germany.....                                     | 73             | 28               |       | 84               | 2              | 40    | 157      | 30             | 40    | 227   |
| Greece.....                                      | 120            | 12               |       | 35               |                |       | 155      | 12             |       | 167   |
| Iran.....  | 51             | 4                |       | 205              | 4              | 76    | 346      | 8              | 76    | 430   |
| Italy.....                                       | 83             | 15               |       |                  |                |       | 83       | 15             |       | 98    |
| Libya.....                                       | 14             | 1                |       |                  |                |       | 14       | 1              |       | 15    |
| Netherlands.....                                 | 48             | 7                |       |                  |                |       | 48       | 7              |       | 55    |
| Norway.....                                      | 51             | 7                |       |                  |                |       | 51       | 7              |       | 58    |
| Pakistan.....                                    | 69             | 1                |       |                  |                |       | 69       | 1              |       | 70    |
| Portugal.....                                    | 43             | 7                |       |                  |                |       | 43       | 7              |       | 50    |
| Spain.....                                       | 85             | 17               |       | 24               |                |       | 109      | 17             |       | 126   |
| Turkey.....                                      | 137            | 15               | 99    | 272              | 47             | 105   | 409      | 62             | 204   | 675   |
| United Kingdom.....                              | 25             | 9                |       |                  |                |       | 25       | 9              |       | 34    |
| U.S. element Baghdad Pact.....                   | 6              | 2                |       |                  |                |       | 6        | 2              |       | 8     |
| Saudi Arabia.....                                |                |                  |       | 384              | 1              | 1     | 384      | 1              | 1     | 386   |
| Cambodia.....                                    | 60             |                  |       |                  |                |       | 60       |                |       | 60    |
| Japan.....                                       | 114            | 21               |       | 81               | 18             |       | 195      | 39             |       | 234   |
| Korea.....                                       | 56             | 12               | 8     | 1,742            | 92             | 744   | 1,778    | 104            | 750   | 2,632 |
| Philippines.....                                 | 63             | 7                | 8     |                  |                |       | 63       | 7              | 8     | 78    |
| Taiwan.....                                      | 257            |                  | 344   | 1,345            |                |       | 1,602    |                | 344   | 1,946 |
| Thailand.....                                    | 70             | 2                |       | 175              |                |       | 245      | 2              |       | 247   |
| Vietnam.....                                     | 120            |                  |       | 672              |                |       | 602      |                |       | 602   |
| SEATO permanent military planning staff.....     | 7              |                  |       |                  |                |       | 7        |                |       | 7     |
| Total.....                                       | 1,770          | 217              | 457   | 5,039            | 164            | 966   | 6,809    | 381            | 1,423 | 8,613 |
| Commander in Chief, Europe.....                  | 82             | 33               |       |                  |                |       | 82       | 33             |       | 115   |
| Commander in Chief, Pacific.....                 | 48             |                  |       |                  |                |       | 48       |                |       | 48    |
| Total, overseas.....                             | 1,900          | 250              | 457   | 5,039            | 164            | 966   | 6,939    | 414            | 1,423 | 8,776 |
| Departmental:                                    |                |                  |       |                  |                |       |          |                |       |       |
| Army.....  | 55             | 405              |       |                  |                |       | 55       | 405            |       | 460   |
| Navy.....  | 34             | 144              |       |                  |                |       | 34       | 144            |       | 178   |
| Air Force.....                                   | 44             | 238              |       |                  |                |       | 44       | 238            |       | 282   |
| OSD (including U.S. regional organizations)..... | 68             | 154              |       |                  |                |       | 68       | 154            |       | 222   |
| Total, departmental.....                         | 201            | 941              |       |                  |                |       | 201      | 941            |       | 1,142 |
| Grand total.....                                 | 2,101          | 1,191<br>(3,749) | 457   | 5,039<br>(9,169) | 164            | 966   | 7,140    | 1,355          | 1,423 | 9,918 |

<sup>1</sup> Does not include locals hired through state direct support.

**STATEMENT BY FRANCIS O. WILCOX, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS, RE U.N. EXPANDED TECHNICAL ASSISTANCE PROGRAM AND THE SPECIAL FUND**

I appreciate the opportunity to present the administration's request for funds for the U.S. contribution to the United Nations expanded program of technical assistance and the special fund for calendar year 1960.

As the committee is aware, the idea of technical assistance has been an integral part of our foreign policy for a good many years. By making our technical know-how available to underdeveloped countries we are helping them to help themselves to stronger economies and better standards of living. This will result in greater prosperity for us all and will strengthen the prospects for stability and peace in the world.

The request before you is for appropriation of \$30 million from fiscal year 1960 funds to cover the U.S. contribution to both programs. The two are integrally related to each other; they are both technical assistance programs and in a very real sense the new special fund has grown out of the old expanded technical assistance program.

## U.S. CONTRIBUTION

It is proposed that the U.S. delegation to the Pledging Conference, which will be held during the 14th General Assembly, be authorized to offer for the two related programs for 1960 the amount of \$40 million toward the total goal of \$100 million. This would be done with the condition that the total U.S. contribution to the two programs would not exceed 40 percent of total contributions by all governments to these programs. This is in accordance with the percentage limitation included in the Mutual Security Act of 1958.

For calendar year 1959 the United States pledged a total of \$38 million subject to the 40-percent limitation. It is estimated that total contributions from other governments will require a U.S. contribution of about \$23 million for 1959 in fulfillment of this pledge. Last year the Congress authorized and appropriated \$20 million for our contribution to these two programs with the understanding that the U.S. delegation would pledge \$38 million with a 40-percent limitation. The funds required above the \$20 million specifically appropriated for these programs are being secured from other mutual security funds.

It is assumed that other governments will continue to increase their contributions in the future as they have in the past. For 1960 it is estimated that the U.S. contribution to fulfill the pledge we propose to make will be about \$30 million and, therefore, appropriation of this amount is requested for fiscal year 1960. After pledges from other governments are determined, any additional funds which might be needed to meet the U.S. share of total contributions would be secured from the mutual security contingency fund.

It should be pointed out that there are two types of cash contributions received by the United Nations for the expanded technical assistance program:

(1) Voluntary contributions from both developed and less-developed countries amounting to about \$30 million annually. The U.S. contribution is currently based on these contributions.

(2) Contributions in the form of assessments paid by recipient countries toward the local living costs of experts. These assessed contributions are computed on the basis of the total number of man-days of assistance received. They amount to approximately \$3 million annually.

Voluntary contributions and assessed contributions are now treated in the same way by the United Nations. In each case the funds are collected by the United Nations Controller, placed in the special account for the expanded technical assistance program, allocated to the participating organizations, and disbursed by them to meet program expenses. Expenditures are audited by the external auditors.

In applying its percentage formula to the expanded technical assistance program, the United States has thus far matched only voluntary contributions to the special account. In other words, we have matched only the first type of contribution described above. Recipient governments have been required to contribute toward the local living costs of experts since the beginning of the program. However, during the past 3 years these contributions have been paid into the central account on an assessed basis. As a result, there is now no essential difference between the two types of funds. It is our view that these contributions should be taken into account in applying our matching formula to the expanded technical assistance program and, if the Congress agrees, we plan to do so beginning in calendar year 1960. We do not yet know what the local cost arrangements will be for the special fund. If they are essentially the same as they are for the expanded program, it would seem quite reasonable to take them into account in this case also. For 1959 these local cost assessments are estimated at approximately \$3 million for the expanded program.

These local cost assessments are separate and distinct from the project expenses paid directly by recipient governments. These include office space, equipment and supplies, local personnel, transportation, etc., and are estimated at about \$70 million annually.

## EXPANDED TECHNICAL ASSISTANCE PROGRAM

This program was established in 1950 largely through U.S. initiative. We have considered our participation in such a program advantageous and an important aspect of our foreign policy for several reasons.

1. Sharing the cost of technical assistance projects with other governments is more economical for the United States than bearing the total cost alone. Every

dollar we spend through this program will result in at least twice as much in the way of technical assistance as would flow from the dollars we spend through bilateral channels.

2. Many countries, particularly the newly independent and developing nations, prefer to request certain types of assistance from an international organization of which they are members, and which they help support, rather than from an individual foreign government. Most of these countries are, of course, receiving large amounts of U.S. bilateral aid as well. However, the existence of a multilateral program helps prevent the feeling among small nations that they are totally dependent on a single larger nation for their economic growth. The fact that we are willing to contribute generously to a multilateral fund as well as to carry out our own bilateral programs helps greatly to build good will for the United States.

3. The United Nations technical assistance program presently employs some 1,500 experts from 63 countries. Many of these experts can offer training and advice in fields in which U.S. experts are in very short supply. In addition, experts from one country can often be sent to adjacent areas thus reducing the cost of such expert services. Likewise training facilities can often be provided in areas close to the recipient country, thereby also reducing the cost of assistance.

4. The technical assistance program of the United Nations is one of the most important concrete activities carried out by United Nations organizations. Our role of leadership in the United Nations and the specialized agencies has been materially strengthened by our active participation in and support of this program. The expanded program is carried out by the United Nations and its specialized agencies: Food and Agriculture Organization, International Civil Aviation Organization, International Labor Organization, International Telecommunication Union, United Nations Educational, Scientific, and Cultural Organization, World Health Organization, and World Meteorological Organization. This year the International Atomic Energy Agency is also beginning to participate in the program. These agencies provide experts, training both at home and abroad, and a limited amount of equipment to underdeveloped countries at their own request. The primary emphasis, of course, is in the fields of health, agriculture, and education. Assistance is also provided in industrial development, public administration, aviation, telecommunications, and other specialized areas.

#### SPECIAL FUND

The special fund was established January 1, 1959, as an enlargement of the already existing technical assistance program. The new fund was proposed by the U.S. delegation at the 12th General Assembly in 1957 in the face of substantial pressure from a large number of countries for the immediate establishment of a Special United Nations Fund for Economic Development (SUNFED). Largely because of the efforts of the U.S. Delegation, the Assembly resolution was passed unanimously. We suggested at the time a goal of \$100 million for the combined expanded technical assistance program and special fund.

During 1958 an 18-member Preparatory Committee on which the United States was represented, made recommendations for the structure and operation of the Special Fund. These recommendations were approved by the Economic and Social Council and by the 13th session of the General Assembly. The Fund was established to commence operations on January 1, 1959, with total pledges of approximately \$25 million from 54 countries available for its first year of operation. The first group of 13 projects for financing from the Special Fund were approved by the Governing Council of the Fund in May of this year. Seventy-five requests totalling \$81 million have been received. The initial group of projects approved totaled \$7.5 million.

I should emphasize that the Special Fund is not an international capital development fund. Its relatively small resources will be devoted to technical projects which provide concentration in depth on surveys, research and training projects of basic importance to successful economic growth. It is expected that the Special Fund will finance projects such as: Surveys of water, mineral and potential power resources; the establishment, including staffing and equipping, of training institutes in public administration; statistics, and technology; and of agricultural and industrial research and productivity centers. It is expected that the Fund's activities will emphasize relatively large projects including those which are regional in nature and of interest to a number of countries.

Mr. Paul Hoffman of the United States has been appointed by the United Nations Secretary-General as Managing Director of the Fund. He is assisted by a Consultative Board composed of the Secretary-General, the Executive

Chairman of the Technical Assistance Board, and the President of the International Bank or their alternates. This Consultative Board will assure proper coordination with the technical assistance activities of the expanded technical assistance program and activities of the International Bank. The program proposed by the Managing Director will be submitted for approval to the Governing Council which is made up of representatives from 18 governments (including the United States) elected by the Economic and Social Council.

#### CONCLUSION

In conclusion I would like to say that I firmly believe that the United Nations Technical Assistance Program and the new Special Fund are exceedingly helpful to our foreign policy. These activities accomplish a great deal for the expenditure involved. They have won wide acclaim within the United Nations system and the strong support of many groups and organizations in the United States. I hope that the committee will agree that the request we are making is a reasonable one.

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#### STATEMENT BY FRANCIS O. WILCOX, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS, RE THE UNITED NATIONS CHILDREN'S FUND

This statement is submitted in support of the request for an appropriation of \$12 million for contribution to the calendar year 1960 program of the United Nations Children's Fund (UNICEF).

The United Nations General Assembly established UNICEF in 1946 on a temporary basis primarily to meet the emergency food and clothing needs of children in war-devastated Europe. In 1950, the General Assembly directed UNICEF to change its emphasis to carrying out worldwide programs for improving the health and welfare of children and mothers particularly in economically underdeveloped areas. In 1953, the General Assembly, in recognition of the importance of UNICEF's work, established it as a permanent United Nations activity.

Contributions to UNICEF are made on a voluntary basis and support for the program has continued to increase every year. In 1954, there were 60 contributing governments whereas in 1958 there were 86. Government contributions in 1954 were \$13.6 million and by 1958 contributions and pledges had reached \$20.9 million.

The United States played a leading role in the establishment of UNICEF and has always been the principal contributor to its program. The Congress authorized and appropriated \$11 million of fiscal year 1959 funds for contribution to UNICEF's calendar year 1959 program. We are requesting \$12 million from fiscal year 1960 funds for contribution to the calendar year 1960 program. This request is based upon a proposed UNICEF program of \$27.9 million to which the United States would pledge \$12 million in the hope that other governments would contribute \$13 million, and private sources \$2.9 million.

The percentage of the U.S. contribution to UNICEF has been gradually decreasing as contributions from other governments have continued to increase. In 1952 the percentage of the U. S. contribution was 72 percent, in 1955 it was 60 percent, in 1959 it is 50 percent, and for 1960 a further reduction to 48 percent is proposed. Up to the present, this has been a healthy development. There are some indications, however, that we may have reached a point where future contributions from other governments will increase at a much slower rate than has been true in recent years. If this happens, it may be necessary to temporarily halt the annual reductions which the United States has been making in the percentage of its contribution. We will need to evaluate this matter carefully during the coming year.

UNICEF programs are supported not only by cash contributions but also by local contributions, which in 1958 amounted to \$56.5 million. In other words, for each \$1 allocated by UNICEF in 1958, receiving countries committed an average of \$2.50 to carry out the programs. These local contributions include services of local personnel, transportation, and locally available supplies, equipment and facilities. This large scale local support indicates the importance with which assisted governments view UNICEF programs.

UNICEF works closely with the World Health Organization (WHO) and the Food and Agriculture Organization (FAO), which have a worldwide interest in matters of health and nutrition. Generally speaking, UNICEF provides the supplies and equipment which are not available locally, while WHO and FAO provide the technical knowledge and advice requested by assisted governments in the planning and execution of programs. Only after WHO and FAO have given technical approval to health and nutrition programs are they presented to the UNICEF executive board for consideration. The three agencies thus provide a unified approach in meeting the needs of children.

One additional point should be emphasized. UNICEF does not start and carry out child health and welfare programs. It encourages and assists governments in developing and expanding their own programs which they will ultimately be able to carry on without UNICEF assistance.

The principal areas of UNICEF activity are:

1. Basic maternal and child health and welfare services, including the establishment of rural health centers and clinics and the training of nurses and midwives. The program forecast for these services in calendar year 1960 is \$6,732,000.

2. Mass health campaigns against such crippling and killing diseases as malaria, yaws, tuberculosis, trachoma, and leprosy. The 1960 program for these campaigns is forecast at \$10,760,000.

3. Activities to improve nutrition including long-range child feeding programs and the increased production and use of milk. The program forecast for these programs in 1960 is \$5,887,000.

4. Emergency assistance for the victims of catastrophes such as earthquakes, floods, droughts, and famines, where the welfare of the child population is seriously affected. It is estimated that \$1 million may be needed for emergency assistance in 1959.

Members of this committee are, I believe, well aware of the importance of this program. They are well aware, too, of the tremendous amount of good it accomplishes each year. The need is obvious when one considers that, in the underdeveloped area, 60 percent of the children live in countries where the workers average income is less than \$100 per year. One example will suffice. Many millions of children in the world suffer from trachoma and related eye diseases. A great many of them will become blind for lack of proper application of an antibiotic ointment costing about 20 cents for each case. Thus far some 5 million people have been treated with this ointment. A somewhat similar situation exists with respect to tuberculosis, malaria, yaws, and leprosy. It is impossible to calculate the toll of such diseases on individuals and on the economic vitality of nations.

In 1958 more than 50 million children and nursing and expectant mothers benefited from the principal disease control and nutrition programs aided by UNICEF. Additional millions gained from services now available at maternal and child welfare centers equipped with UNICEF help. Assistance, provided principally in those areas where poverty and disease are common, helps to raise health, welfare, and nutritional standards. The significance of this work from economic, political, and humanitarian considerations is, in my view, quite apparent. I sincerely feel that it is very important for the United States to continue our leadership and generous support for this program.

#### STATEMENT OF WILLIAM H. McCABON, CHIEF, VOLUNTARY FOREIGN AID STAFF, INTERNATIONAL COOPERATION ADMINISTRATION

This request for \$2.3 million is to defray the ocean transportation costs of U.S. voluntary agency gift shipments to needy persons abroad. Of the total amount requested, \$1,910,000 is needed in new money, plus authority as already contained in the House bill to use \$390,000 which is the unobligated balance of the funds appropriated for this purpose in fiscal year 1959.

These gifts, which are distributed in the name of the American people, include food, clothing, medicines, hospital supplies, school supplies, hand tools, and other self-help items. The special features of this program are as follows:

All supplies involved come from private U.S. sources as voluntary donations either in cash or in-kind.

All costs including procurement, processing, packaging for export, and delivery of supplies to U.S. port are borne by the voluntary agencies.

For every appropriated dollar spent on ocean freight, roughly \$15 worth of these privately donated supplies are delivered to needy persons overseas.

During the past 3 years, the value of these supplies has averaged \$27 million annually.

Thirty-two U.S. voluntary nonprofit agencies are participating in this program, including the relief arms of the three major faiths, CARE, and the American National Red Cross. A full listing of these cooperating agencies appears in note 1 on page 90 of the nonregional program presentation book.

Eligible agencies are those registered with the Advisory Committee on Voluntary Foreign Aid. This Committee was created in May 1946. It has 10 members at present, all serving without compensation, and is chaired by Mr. Charles P. Taft.

As a condition of registration, the voluntary agencies keep the Committee fully informed of their activities. An annual public audit is filed by each registrant. These are available for public inspection.

The U.S. origin of the goods is made known to the recipients through labeling, special posters and literature, as well as by personal contacts of the American citizen field representatives maintained by the voluntary agencies.

The authorities of the recipient countries exempt the supplies from all duties, tolls and taxes. Inland transportation and related costs from port of entry abroad to ultimate distribution center is paid by the recipient countries or from other non-U.S. Government sources.

The 40 countries and areas included in this program, as of December 1958, are listed in note 2 on page 90 of the nonregional book. Since that time a number of other countries have been added, principally in Africa. The increase of \$200,000 over last year is needed to take care of this expansion in the number of countries to be served. It is believed that with this modest increase the amount requested will be adequate to finance all estimated shipments in the coming year.

In summary, I should like to say that we continue to look upon this people-to-people activity as a useful and important supplement to the government-to-government assistance programs. It carries with it the concern of the American people for the less fortunate peoples of the world, a concept which is inherent in the conscience of America. It is a good example of how Government and our private citizens can join hands to accomplish mutually desired ends.

#### STATEMENT SUBMITTED BY THE U.S. ATOMIC ENERGY COMMISSION

1. This statement is submitted by the Atomic Energy Commission in support of a request for funds which will permit the continued implementation of an important segment of the atoms-for-peace program.

2. As the committee knows, this program provides the mechanism by which the United States shares with other nations its knowledge, talents, and resources in advancing the peaceful uses of atomic energy. From its inception, it has been characteristic of the program that the value received by the United States, in terms of good will, international leadership, and free world cohesion, far exceeds the comparatively modest cost.

3. The original request was for \$6,500,000. The House of Representatives reduced this amount to \$1,500,000, plus the amount of unobligated fiscal year 1959 funds available on June 30. This resulted in a total appropriation of \$3,551,270. Since this action by the House, the estimates and needs have been further analyzed, and the conclusion reached that a total of \$4,800,000 will be required in fiscal year 1960. Accordingly, the restoration of \$1,247,730 cut from the original request is respectfully sought. The funds requested will be available for the following activities:

#### RESEARCH REACTOR GRANTS, \$1,400,000

4. Research reactors are the tools that make possible meaningful research programs in nuclear physics, radiation chemistry, reactor engineering, and in the biological and medical sciences. Such research activity advances both the total scientific effort of a country and the widespread development of the peaceful uses of the atom. In both respects, the United States stands to gain.

5. Since 1955 the United States has contributed to the cost of research reactor projects abroad. The amount of such a contribution is one-half the cost of the project or \$350,000, whichever is less. In no case to date has \$350,000 equaled one-half the cost of an approved project. In fact, the average cost of the individual projects to which the United States has contributed exceeds \$2,600,000.

6. Last year 10 reactor grants were anticipated; only 3 were obligated. The failure of seven estimated grants to materialize was due to one or more of the following reasons: Lack of sufficient information upon which to base a technical evaluation of the project; failure to submit a formal proposal after contracting for a reactor with a U.S. manufacturer; change of plans with respect to the type of reactor to be acquired; failure to complete contract negotiations; local administrative difficulties; and political unrest within the country involved.

7. The reanalysis of the program's needs for fiscal year 1960 has led to the conclusion that there is full justification for an amount sufficient to cover four research reactors for which countries have either signed or are in the final stages of negotiating a contract with a U.S. firm. These countries are Iran, Turkey, Pakistan, and Argentina. A fifth possibility is Peru, which is now soliciting bids in the United States for a swimming-pool type research reactor. However, in the light of past experience, the request has been limited to the four projects previously named.

#### RESEARCH AND TRAINING EQUIPMENT, \$1,500,000

8. In addition to the research reactor program, grants are made available for the acquisition of such useful equipment as general radioisotope, nuclear engineering and medical training and research laboratories, and cobalt 60 teletherapy and irradiation units.

9. During fiscal year 1959, 15 such specialized grants were approved at a total cost of \$1,363,781. The recipient countries were Argentina (2 grants), Brazil, Chile, China, Colombia, El Salvador, Guatemala, Ireland (2 grants), Lebanon, New Zealand, Peru, and Spain.

10. The amount spent last year was more than four times that required in fiscal year 1958, the first year equipment grants were made available. This is indicative of the program's increasing utility. The \$1,500,000 now requested will permit favorable action on the increased number of applications for grants anticipated in fiscal year 1960. Eleven such requests totaling \$989,000 have already been received.

11. There are a number of reasons why this program is desirable. It is flexible and can be tailored to individual country needs. It permits a cooperating country to initiate a civil atomic energy program in advance of a reactor program, which requires an advanced degree of scientific and technical skills. It provides a basis for continued technical collaboration between the United States and the recipient countries. Helping the nations of the free world improve their welfare and the health and well-being of their nationals in itself is gratifying. But beyond this, the United States benefits through exchanges of information incident to the use of research equipment in many unique areas of investigation. Thus, information developed abroad through the use of equipment purchased under a grant may well reduce research requirements in this country.

#### SURVEY AND DEVELOPMENT OF PEACEFUL USES, \$400,000

12. Cooperating countries and international atomic energy organizations constantly seek technical advisory services from the United States. This Government is frequently asked to advise other governments concerning the development of national programs compatible with the scientific, economic, and technological capabilities existing in the other countries. The United States is also called upon to make technical experts available to advise with respect to the construction and operation of foreign reactor projects. Country needs may be confirmed by surveys of the International Atomic Energy Agency which may, therefore, play a role in channeling grants to qualified recipients. Approximately \$250,000 is needed in order to continue these services.

13. Support of symposia and conferences as mechanisms for exchanging information and building up general technical competence will be continued. Money obligated for this activity in fiscal year 1959 made possible the successful Second Inter-American Symposium held in Buenos Aires in June to consider the application of nuclear energy to the life sciences. It is also being used in sponsoring the forthcoming Latin-American Symposium on the legal, regulatory, and administrative aspects of health and safety in national programs scheduled to be held in Puerto Rico in November.

14. It is estimated that continued support of this activity in fiscal year 1960 will require \$100,000.

15. A further segment of this phase of the overall program relates to providing cooperating countries with selected training films when such films are able to contribute to national training programs. In general, the films to be provided



will be drawn from the package of 45 professional-level training films prepared for and shown at the 1958 Geneva Conference. These films, which were well received at Geneva, emphasize American nuclear technology.

**CONTRIBUTION TO THE INTERNATIONAL ATOMIC ENERGY AGENCY, \$750,000**

16. The International Atomic Energy Agency's operational and technical assistance activities are funded from voluntary contributions of member states to a special operational fund, apart and distinct from the administrative fund created by statutory assessments. The operational fund for the current calendar year is \$1.5 million. It is expected to remain near this level in 1960.

17. Continued U.S. support of the Agency is required if that organization is to survive and progress toward its high objectives. \$750,000 is requested as a manifestation of that support. This is expected to be about one-half the total operational fund and is consistent with the fiscal year 1959 contribution of \$500,000 and an offer to match other contributions up to \$250,000.

**SCHOLARSHIP PROGRAM, \$750,000**

18. \$750,000 is budgeted under this activity in order to provide for training in the United States of about 100 students sponsored by the International Agency. Support of this important Agency activity will be a further step in strengthening the usefulness and prestige of that organization.

Representatives of the Atomic Energy Commission, will be happy to respond to any questions any members of the committee may have concerning research reactor grants, equipment grants, and survey and development assistance. Representatives of the Department of State are prepared to answer any questions the members may have relating to the International Agency scholarship program and other assistance to the Agency.

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**STATEMENT OF WILLIAM J. CROCKETT, DEPUTY ASSISTANT SECRETARY FOR BUDGET AND FINANCE, DEPARTMENT OF STATE**

Mr. Chairman, the proposed fiscal year 1960 appropriation requested under section 411(c) of the Mutual Security Act is \$8,395,000. Section 411(c) deals with those expenses of the Department of State related to the mutual security program.

The \$8,395,000 requested includes \$1,045,000 for the Mutual Defense Assistance Control Act formerly requested under section 410 of the act, and \$100,000 for costs of the International Development Advisory Board formerly included under section 411(b) of the act and financed from funds made available to the International Cooperation Administration.

The Department of State request is included on pages 101 through 106 of the presentation book on nonregional programs which has already been submitted.

The House, in considering the Department's request, allowed a total of \$7,900,000, a reduction of \$495,000. Specifically denied was a request for \$100,000 for the International Development Advisory Board. The Department earnestly appeals for restoration of the entire amount of \$495,000 disallowed by the House. The Department's request, if approved, would provide the necessary staffing and funds required to carry out its responsibilities and functions as they relate to the mutual security program. The proposal is designed to improve the coordination function in an attempt to overcome some of the criticisms of the past.

In support of and as background to the proposed appropriation under section 411(c) for fiscal year 1960, it is appropriate to include here a résumé of various shifts in functions which have been made between the International Cooperation Administration and the Department of State proper which affect the appropriation under section 411(c).

When existing authorization under section 411(c) was enacted in 1956, there were only two activities falling within the Department of State's jurisdiction at that time which were funded under the provisions of section 411(c). These were: (1) Providing program policy review of the mutual security program, and (2) supporting the U.S. Mission to NATO and European Regional Organizations (USRO) in Paris.

The Secretary of State, under authority and provisions of executive orders, transferred the responsibilities of certain other mutual security program functions from time to time from the Director of the International Cooperation Administra-

tion to the Department of State to improve the overall coordination and administration of the mutual security program.

In March of 1958, the escapee program and other related responsibilities were transferred to the Department of State.

During fiscal year 1958, the Secretary of State transferred the responsibilities for overall coordination of the mutual security program, U.S. participation in Organization for European Economic Cooperation activities, and public information relating to the mutual security program.

Effective January 26, 1958, responsibilities for carrying out the objectives of the Mutual Defense Assistance Control Act were shifted from the Director of the International Cooperation Administration to the Under Secretary of State for Economic Affairs. In addition, the Under Secretary of State was made the primary point of contact for the International Development Advisory Board and this activity became the responsibility of the Department of State.

On a comparative basis the cost of all section 411(c) activities amounted to \$8,154,000 in fiscal year 1959 as reflected in the presentation book on nonregional programs. This amount for fiscal year 1959 included \$6,692,500 appropriated under section 411(c); a comparative transfer from ICA's section 411(b) funds of \$45,000 for expenses related to the International Development Advisory Board; the comparative transfer from section 410 funds of \$1,045,000 for expenses of the Mutual Defense Assistance Control Act; and the transfer of \$371,500 from the "President's Fund for Asian Economic Development, Executive, 1959," by Presidential determination to cover the increased pay costs provided by Public Law 85-462. The fiscal year 1959 appropriation as adjusted provided for the salaries and related expenses of 892 positions. These included 323 in the Department and 293 American and 276 local positions at various Foreign Service posts overseas.

In fiscal year 1960 the cost of these activities including Control Act expenses and the International Development Advisory Board is estimated at \$8,395,000.

In summary, the Department is requesting, under section 411(c) of the Mutual Security Act, a total appropriation of \$8,395,000 to cover administrative expenses of the Department for functions relating to the mutual security program. The request reflects a net increase of \$241,000 over fiscal year 1959.

There is a \$274,000 increase in the item for program coordination, policy review, information, and the International Development Advisory Board.

There is an offsetting decrease of \$33,000 in the administration of the refugee and migration program.

There is no change in funding requirements for the U.S. mission to NATO, European regional organizations, and the Organization for European Economic Cooperation.

There is no change in funding requirements for the Mutual Defense Assistance Control Act.

In the overall program there is a net reduction of 11 positions in fiscal year 1960, reflecting a decrease of 1 American position and 16 local positions overseas against an increase of 6 departmental positions.

The request for 1960 provides 329 departmental positions and 552 positions overseas (292 Americans and 260 locals) for a total of 881 positions in fiscal year 1960, compared with 323 departmental positions and 569 positions overseas (293 Americans and 276 locals).

The increase of \$274,000 for program coordination, policy review, information, and the International Development Advisory Board includes \$241,445 for departmental expenses and \$32,555 for the Foreign Service for the following purposes:

1. An increase of \$179,885 to provide nine additional positions for the Office of the Under Secretary of State and to place all positions on a full-year basis during fiscal year 1960.

Of the nine additional positions requested, seven positions are requested to round out a minimum staff necessary to provide the kind of policy coordination considered necessary for the mutual security programs.

The other two additional positions (research economist and secretary) are required for the International Development Advisory Board Secretariat to furnish proper staff work to the members of IDAB. As it has now been reconstituted, the IDAB has a considerably more complex scope of authority and action and will now work with the Under Secretary of State, the Director of the International Cooperation Administration, and the Manager of the Development Loan Fund in the coordination of the International Development Advisory Board activities. The Chairman and the other 12 members of the Board, widely representative of the major segments of the American economy and society, have been appointed.

The Board is now directly responsible to the Under Secretary of State, who acts as coordinator of the mutual security program. It is presently working on several subjects, including evaluation of technical cooperation and of U.S. activities in the field of international health conducted under the mutual security program and a study of the problems and potentials of foreign currency acquired in carrying out U.S. economic programs abroad.

2. An increase of \$30,964 made up of the following requirements: (a) Extra day (\$9,807); (b) allowances and hardship post differentials (\$10,583); (c) w.a.c. (13 members of the International Development Advisory Board) (\$15,500); and (d) overtime and holiday pay, a decrease of \$4,926.

3. An increase of \$55,000 is requested to cover necessary travel costs of the Under Secretary of State, and the Special Assistant for Mutual Security Affairs and their staffs to acquire firsthand information on conditions, problems, and current developments in various parts of the world which relate to the mutual security program (\$40,000); and the 13 International Development Advisory Board members in attending additional meetings, and for members of subcommittees (6 subcommittees consisting of 10 members each) (\$15,000).

4. An increase of \$8,151 for all other objects of expenses is requested for fiscal year 1960, including an additional requirement for civil service contributions and other nonsalary costs, such as supplies and equipment related to the additional positions requested.

The decrease of \$33,000 in the item for the refugee and migration program results from a determination that this amount can be saved in salaries and related expenses through a reduction of 3 domestic positions and 1 American and 16 local positions overseas.

The House has allowed a total of \$7,900,000 for fiscal year 1960. This amount is a reduction of \$495,000 below the Department request of \$8,395,000. The reduction of \$495,000 not only eliminates the entire amount of the increase requested by the Department, but reflects a reduction of \$254,000 below the adjusted appropriation for fiscal year 1959. In addition to completely eliminating funds for the International Development Advisory Board, the reduction by the House would seriously impair the various functions and activities of the Department related to the mutual security program. It is estimated at this time that the House reduction would make necessary the reduction of a total of 54 positions from the total included in the Department's request. This reduction would include 29 departmental positions and 8 American and 17 local positions overseas.

Attachments I and II show the adjusted appropriation for fiscal year 1959, increases requested by the Department for fiscal year 1960, the total request by the Department, the effect of the \$495,000 reduction by the House, and the Department's proposed application of the House allowance of \$7,900,000.

The Department feels that its request of \$8,395,000 properly reflects funding requirements for fiscal year 1960. We believe, and we hope the committee agrees, that there is ample justification for the restoration of the \$495,000 disallowed by the House.

## ATTACHMENT I

## MUTUAL SECURITY PROGRAM--DEPARTMENT OF STATE

*Administrative expenses, State, sec. 411(c)*

## Fiscal year 1959:

|  |                  |
|--|------------------|
| Appropriation (Public Law 85-853).....                           | \$6,692,500      |
| Increased pay costs (Public Law 85-462).....                     | 371,500          |
| Cost of functions transferred:                                   |                  |
| International Development Advisory Board (from sec. 411(b))..... | 45,000           |
| Mutual Defense Assistance Control Act (from sec. 410)....        | 1,045,000        |
| Adjusted appropriation, fiscal year 1959.....                    | <u>8,154,000</u> |

## Increases and decreases requested, fiscal year 1960:

## 1. Program coordination, policy review, information and IDAB:

|   |        |
|---|--------|
| (a) 7 additional positions for special assistant for MSP coordination.....  | 69,270 |
| (b) 2 additional positions for IDAB secretariat.....  | 10,380 |
| (c) Annualization costs (to place all positions on full-year basis during fiscal year 1960).....  | 94,235 |
| (d) W.a.e. salary costs of IDAB members.....  | 15,500 |
| (e) Other personal services costs such as extra day pay, allowances and hardship post differentials.....  | 15,464 |
| (f) Additional necessary travel costs of the Under Secretary of State and the special assistant for MSP coordination and their staffs.....                          | 40,000 |
| (g) Additional travel costs of members of IDAB and for members of subcommittees.....  | 15,000 |
| (h) Increase in other items of expense, including an additional requirement for civil service contributions and nonsalary costs such as supplies and equipment..... | 8,151  |

## 2. Refugee and migration program:

|   |         |
|---|---------|
| (a) A reduction of 3 domestic positions and 1 American and 16 local positions overseas..... | -33,000 |
|---|---------|

Net increase requested..... 241,000

Total appropriation request, fiscal year 1960... 8,395,000

## Effect of House cut:

|  |          |
|--|----------|
| 1. Program coordination, policy review and information: Reduction of 20 domestic positions and 3 American and 2 local positions overseas--salaries and related cost..... | -278,100 |
| 2. IDAB: Reduction of 6 positions--salaries and related expenses.....  | -100,000 |
| 3. USRO: A reduction of 3 American and 10 local positions overseas--salaries and related expenses.....   | -63,000  |
| 4. OEEC: Reduction of 1 American position overseas--salary and related expenses.....   | -12,000  |
| 5. Refugee and migration program: A further reduction of 1 American and 5 local positions overseas--salaries and related expenses.....                                   | -21,000  |
| 6. Control Act: A reduction of 3 domestic position--salaries and related expenses.....   | -20,000  |

Total House cut..... -495,000

Total amount approved by House..... 7,900,000

## ATTACHMENT II

## Mutual security program—Department of State, administrative expenses, State, sec. 411(c)

|                            | Adjusted appropriation,<br>fiscal year 1959 |           | Increase and decrease<br>requested, fiscal year 1960 |            | Total request, fiscal year<br>1960 |           | Distribution of House cut |            | Application of amount<br>approved by the House,<br>fiscal year 1960 |           |
|----------------------------|---|-----------|--|------------|------------------------------------|-----------|---------------------------|------------|---|-----------|
|                            | Positions                                   | Amount    | Positions  | Amount     | Positions                          | Amount    | Positions                 | Amount     | Positions   | Amount    |
| Program coordination.....  | 12  | \$123,100 |  |            | 12                                 | \$123,100 |                           |            | 12  | \$123,100 |
| Program policy review..... | 285   | 3,004,100 | +7   | +\$225,900 | 292                                | 3,230,000 | -25                       | -\$278,100 | 267   | 2,951,900 |
| Public information.....    | 18  | 202,900   |  | -6,900     | 18                                 | 196,000   |                           |            | 18  | 196,000   |
| IDAB.....                  | 4   | 45,000    | +2   | +\$55,000  | 6                                  | 100,000   | -6                        | -100,000   |   |           |
| USRO.....                  | 173   | 1,831,900 |  |            | 173                                | 1,831,900 | -13                       | -63,900    | 160   | 1,768,000 |
| OEEC.....                  | 35  | 528,000   |  |            | 35                                 | 528,000   | -1                        | -12,000    | 34  | 516,000   |
| Refugee and migration..... | 252   | 1,374,000 | -20  | -33,000    | 232                                | 1,341,000 | -6                        | -21,000    | 226   | 1,320,000 |
| Control Act.....           | 113   | 1,045,000 |  |            | 113                                | 1,045,000 | -3                        | -20,000    | 110   | 1,025,000 |
| Total.....                 | 892   | 8,154,000 | -11  | +\$241,000 | 881                                | 8,395,000 | -54                       | -495,000   | 827   | 7,900,000 |
| Distribution of positions: |   |           |  |            |                                    |           |                           |            |   |           |
| Domestic.....              | 323   |           | +6   |            | 329                                |           | -29                       |            | 300   |           |
| Foreign Service:           |   |           |  |            |                                    |           |                           |            |   |           |
| Americans.....             | 293   |           | -1   |            | 292                                |           | -8                        |            | 284   |           |
| Locals.....                | 276   |           | -16  |            | 260                                |           | -17                       |            | 243   |           |
| Total.....                 | 892   |           | -11  |            | 881                                |           | -54                       |            | 827   |           |

*Administrative expenses, State, sec. 411(c)—Comparative summary by function,  
fiscal year 1960*

| Function   | Actual,<br>1958  | Estimate,<br>1959 | Estimate,<br>1960 | Increase or<br>decrease |
|--|------------------|-------------------|-------------------|-------------------------|
| <b>1. Program coordination, policy review, information, and IDAB:</b>                            |                  |                   |                   |                         |
| Program coordination.....  | \$96,230         | \$123,100         | \$123,100         |                         |
| Program policy review.....   | 2,902,369        | 3,004,100         | 3,230,000         | + \$225,900             |
| OEEC (domestic only).....  | 56,956           | 68,000            | 68,000            |                         |
| Public information.....  | 164,727          | 202,900           | 196,000           | - 6,900                 |
| International Development Advisory Board.....  | 29,870           | 45,000            | 100,000           | + 55,000                |
| Subtotal.....  | 3,250,162        | 3,443,100         | 3,717,100         | + 274,000               |
| <b>2. U.S. Representation—NATO and European Regional Organization and participation in OEEC:</b> |                  |                   |                   |                         |
| Representation of United States—NATO and European Regional Organizations (USRO).....             | 1,781,785        | 1,831,900         | 1,831,900         |                         |
| United States participation in Organization for European Economic Cooperation (OEEC).....        | 436,723          | 460,000           | 460,000           |                         |
| Subtotal.....  | 2,218,508        | 2,291,900         | 2,291,900         |                         |
| <b>3. Refugee and migration program operations..</b>   | 1,355,285        | 1,374,000         | 1,341,000         | - 33,000                |
| <b>4. Mutual Defense Assistance Control Act:</b>   |                  |                   |                   |                         |
| Department of State.....   | 834,504          | 825,000           | 823,500           | - 1,500                 |
| International Cooperation Administration.....  | 57,014           | 61,300            | 61,500            | + 200                   |
| Department of Commerce.....  | 142,175          | 158,700           | 160,000           | + 1,300                 |
| Subtotal.....  | 1,033,693        | 1,045,000         | 1,045,000         |                         |
| <b>Total.....</b>  | <b>7,857,638</b> | <b>8,154,000</b>  | <b>8,395,000</b>  | <b>+ 241,000</b>        |

## GENERAL NARRATIVE STATEMENT

Appropriation of \$8,395,000 is requested for fiscal year 1960 for administrative expenses of the Department of State under the authorization of section 411(c) of the Mutual Security Act of 1954, as amended.

Funds appropriated to the Department of State under section 411(c) have been used essentially for expenses of the Department in providing coordination and program policy review of the mutual security program in Washington and abroad, for public information on the program, and for support of the U.S. Mission to NATO and European Regional Organization (USRO) in Paris. During fiscal year 1958 responsibility of certain MSP functions relating to program coordination, European regional economic work, and public information was transferred from the International Cooperation Administration (ICA) to the Department of State. Two years earlier in March 1956, the escapee program had been transferred from ICA. Funds for these transferred functions were requested under this appropriation for fiscal year 1959.

The amount of \$6,692,500 appropriated to State for these functions for fiscal year 1959 has been increased by \$371,500 to \$7,064,000 to cover the increased pay costs provided by Public Law 85-402. The additional costs were met by transfer from "President's Fund for Asian Economic Development, Executive, 1959—1191077," in accordance with Presidential determination.

The Secretary of State, effective January 26, 1958, shifted the responsibility for administering the Mutual Defense Assistance Control Act from the Director of ICA to the Under Secretary of State for Economic Affairs. Funds for expenses of administering these responsibilities, however, were requested and appropriated for fiscal year 1959 under section 410 of the Mutual Security Act. The Secretary of State has also transferred the responsibility for the functions and activities of the International Development Advisory Board from the Director of ICA to the Under Secretary of State for Economic Affairs. Funds for this function were included in the appropriation under section 411(b) for fiscal year 1959 and have been transferred to State. The transfer of funds for these two functions further increases the total amount available in section 411(c) for fiscal year 1959 to \$8,154,000.

The total request under this appropriation for fiscal year 1960, including funds for Control Act expenses and the International Advisory Board, is \$8,395,000.

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This amount represents an increase of \$241,000 over the total amount available in fiscal year 1959.

The various functions included in this appropriation request are described below.

*1. Mutual security program coordination, policy review, information, and IDAB*

The Department of State is the agency responsible, under the President, for the development and control of foreign policy and all relations with foreign governments, and is responsible for providing foreign policy guidance to all agencies of the Government. In connection with the mutual security program, these responsibilities include coordination, program policy review, and public information. The Department also has the responsibilities for the functions and activities of the International Development Advisory Board.

*Program coordination.*—Responsibility for coordination of the mutual security program, preparation and presentation of the program to the Congress was transferred in fiscal year 1958 from the Director of ICA to the Under Secretary of State for Economic Affairs for the purposes of (improving coordination of the mutual security program by closer alignment with policy direction of the Department of State and removing such coordination from direct connection with the economic operating arm of the program, (2) providing broader coordination with other related foreign economic policies and programs, (3) providing prompt resolution of issues, and (4) permitting the Director of ICA to devote full time to operation of the ICA program.

In the exercise of these new functions, the Under Secretary (1) develops broad policies for the conduct of the mutual security program, (2) issues guidance for preparation of annual programs by the Departments of State, Defense, and ICA, (3) reviews and insures internal coordination of programs submitted by these agencies, (4) determines program priorities, (5) insures orderly and effective implementation of programs throughout the year, (6) initiates preparation of materials needed for the congressional presentation, and (7) provides leadership and guidance in the identification and resolution of any problems identified by the Departments of State, Defense, and ICA.

To assist the Under Secretary of State in performing these functions, 12 positions were transferred from ICA to the Department of State. Of these, 2 positions were assigned to the Under Secretary's immediate office and 10 were consolidated under the Special Assistant for Mutual Security Coordination with the unit which previously existed in the Department for the purpose of (1) coordinating views of the various areas of the Department on the mutual security program and (2) insuring that operations of ICA were in accord with foreign policy objectives. This combined unit operates under the direct supervision of the Under Secretary.

*Program policy review.*—Consistent with its responsibilities for foreign affairs, the Department of State is responsible for negotiation and execution of all international agreements relating to the mutual security program. The Department of State is specifically responsible for formulation and implementation of the policy of the United States in its participation in the United Nations expanded program of technical assistance, the technical cooperation program of the Organization of American States and programs of the Intergovernmental Committee for European Migration, the United Nations High Commissioner for Refugees, United Nations Children's Fund, the United Nations Relief and Works Agency for Palestine Refugees in the Near East. The Department is also responsible for providing U.S. representation in these organizations and for making the U.S. contributions thereto, as well as the policy direction and operation of the U.S. escapee program.

In the field, the chief of diplomatic mission provides foreign policy direction to all representatives of U.S. agencies in each country and, in addition, has supervisory authority over all mutual security programs at the country level. He is charged with responsibility of coordination as well as assuring that program activities are carefully planned and effectively carried out within the framework of established policy.

*Public information.*—The public information activities of the Department of State and ICA were merged in fiscal year 1958 in order to utilize more effectively and economically these resources for a better public understanding of the mutual security program. As a result of this merger, the responsibility for all public relations and press information on the mutual security program is centered in the Assistant Secretary of State for Public Affairs. The merger has resulted in (1) relating mutual security closer to foreign policy goals and (2) more efficient dissemination of mutual security information, both from the executive branch in

Washington and U.S. missions abroad from the Department of State, ICA, and USIA. Eighteen positions were transferred from ICA to assist in the discharge of these responsibilities.

*International Development Advisory Board.*—The International Development Advisory Board (IDAB) had its origin in section 409 of the Act for International Development enacted in June 1950, and in Executive Order 10159 of September 8, 1950. Its current authority is found in section 308 of the Mutual Security Act of 1954, as amended.

The Board has the responsibility of advising and consulting with respect to general or basic policy matters arising in connection with the operation of (1) The Development Loan Fund, (2) technical cooperation programs, and (3) programs designed to encourage participation by private enterprise in achieving the purposes of the Mutual Security Act.

The IDAB advises and consults with the President, and with (1) the Under Secretary of State for Economic Affairs, who is charged with coordination of the mutual security program, (2) the Director of the International Cooperation Administration, and (3) the Managing Director of the Development Loan Fund.

The IDAB consists of a Chairman and not more than 12 other members, who are required to be U.S. citizens broadly representative of volunteer agencies and other groups interested in programs which include (1) business, (2) labor, (3) agriculture, (4) public health, (5) science, and (6) education. The Chairman is appointed by the President with the advice and consent of the Senate; the other members are appointed by the President without Senate approval. The members of the Board serve for terms of not more than 3 years, but it is permissible for a member to be appointed to successive terms of office. The IDAB is authorized to set up advisory groups in each of the foregoing six categories, there being no stipulation as to the size of each such advisory group.

In order to carry out its functions as set forth above, the Board meets and holds conferences upon the call of the Chairman. Meetings of the full Board are usually held three or four times per year, but meetings of IDAB working groups or of the six advisory groups may be held more frequently depending upon the urgency of the matters under consideration.

The staff organization of the Board consists of a secretariat headed by an executive director. This secretariat is responsible for liaison with the Department of State, the International Cooperation Administration, the Development Loan Fund, and other agencies and committees concerned with the economic aspects of the mutual security program. It also maintains liaison between the Board and nongovernmental groups who are working on matters of similar interest. The IDAB secretariat provides staff assistance in formulating proposals for consideration by the Board and for research on the proposals under consideration, including the drafting of position papers for discussion and approval by the Board.

The responsibilities for the functions and activities of the IDAB, including the secretariat of four positions, were transferred in fiscal year 1959 from the Director of ICA to the Under Secretary of State for Economic Affairs.

*Proposed for fiscal year 1960.*—To carry out these responsibilities, a total of \$3,117,100 is required for fiscal year 1960. This represents an increase of \$274,000 over funds available for fiscal year 1959. This amount is considered essential to meet (a) additional costs overseas resulting from local wage and price increases (\$27,600), (b) additional salary costs for an extra work day in fiscal year 1960 (\$9,807), (c) salaries and related expenses of seven additional positions in the Coordinator's Office, and for additional man-years of employment resulting from efforts to man more fully key positions and to provide essential staff (\$181,593), and (d) additional costs necessary to bring the IDAB to an effective level, including two additional secretariat positions, and salary and travel costs of Board members (\$55,000).

## 2. Representation of United States—NATO and European Regional Organizations (USRO), and Participation in Organization for European Economic Cooperation (OEEC)

*USRO.*—USRO is the abbreviation for the U.S. Mission to the North Atlantic Treaty Organization (NATO) and European regional organizations. The other regional organizations are the Organization for European Economic Cooperation (OEEC) and the Consultative Group—coordinating committees for strategic trade control (CG-COCOM). USRO is an integrated five-agency team with staffing not only from the Department of State but also from Defense, ICA, Treasury, and USIA. The entire staff operates under the direction and coordination of the Ambassador, who is the U.S. permanent representative on the



North Atlantic Council and the U.S. permanent representative to the Organization for European Economic Cooperation. This budget provides for the staff of the ambassador's office, the executive office, the office of political affairs, the major portion of the office of economic affairs, and local employees serving other agency personnel and the general operating expenses of the entire mission. USRO obtains all of its administrative services from the American Embassy in Paris under a plan of integrated administration designed to eliminate duplicate staffing and reduce expenses.

**OEEC.**—Effective December 15, 1957, responsibility was transferred from ICA to the Department of State for U.S. participation in OEEC, with the exception of the European Productivity Agency (EPA) and the scientific manpower program of OEEC for which ICA retains responsibility. The positions concerned with the functions transferred are accordingly included in the State Department rather than the ICA portion of the 1960 mutual security program budget. The current overseas staffing is a reduction of 11 from the 42 positions established in 1957 for these activities.

The United States, although not a member country, has been closely associated with the OEEC since the Organization's inception and participates in its many activities, but does not vote.

The OEEC, now in its 11th year, was established by convention among most west European states to coordinate Marshall plan assistance. Its present membership includes the European members of NATO, Austria, Ireland, Sweden, and Switzerland. Canada, as well as the United States, is informally associated with it. Spain participates in a number of activities and has recently moved toward closer association with the Organization. Yugoslavia maintains an observer in Paris to follow OEEC work and participates in activities of the EPA.

The OEEC has been continued on a permanent basis. It has proven to be a highly effective instrument for European economic cooperation. Its activities include an annual examination of economic conditions in member and associated countries; reduction of trade and payments restrictions (including those on dollar transaction); and coordination on problems of energy supply, transportation, and machinery production.

A major area of interest for OEEC during the immediate future will be in organizing a framework for cooperation between the Community of Six and other European countries. The Community of Six consists of France, Germany, Italy, Belgium, Netherlands, and Luxembourg. These six countries are members of the European Economic Community (Common Market), the European Atomic Energy Community (EURATOM), and the European Coal and Steel Community (ECSC). The OEEC is well suited to develop such a framework for cooperative relations because of its broad membership, its traditions, and the technical and professional services available to it.

Complex negotiations are being conducted under OEEC auspices for a broad European free trade area which assures closer links between the Common Market, the United Kingdom, and the other OEEC member countries.

Other new OEEC activities are in the field of peaceful uses of atomic energy and long-range scientific and engineering manpower problems. The activities of the European Nuclear Energy Agency, organized as a part of the OEEC effort, complement those of Euratom in helping to solve Europe's energy problem and for research.

**Proposed for fiscal year 1960.**—A total of \$2,291,900 was made available for this function in fiscal year 1959. Although additional costs overseas due to local wage and price increases and additional salary costs for an extra day would tend to increase funding requirements by an estimated \$57,000, no increase is requested for fiscal year 1960. The Department will offset such increases by reducing the level of travel, supplies, and equipment.

### **3. Refugee and migration program operations**

The Office of Refugee and Migration Affairs was established under the Bureau of Security and Consular Affairs, Department of State, April 19, 1956, as the result of Executive Order 10663 to centralize responsibility for refugee and migration activities within the Department, to coordinate and implement activities of the U.S. escapee program and U.S. participation in the Intergovernmental Committee for European Migration. The purpose of the escapee program is to provide assistance in the reception, interim care and maintenance, and resettlement of Soviet and satellite escapees in Europe and to undertake assistance projects in behalf of selected escapee groups or individuals in all areas of the world.

The estimate for fiscal year 1960 includes 25 domestic and 207 (65 Americans and 142 locals) overseas positions. These 207 employees assigned to Brazil, Germany, Austria, Italy, Greece, Turkey, Hong Kong, and Taiwan have responsibility for assessing escapee needs, developing programs, contracting with voluntary agencies for execution of such programs, supervising operations, negotiation and liaison with local government authorities, security screening of escapees, and performing the necessary administrative functions.

Recent organizational changes in the Office of Refugee and Migration Affairs have transferred certain field functions to the Washington office. The functions include approval of country programs and budgets, allotment of program funds directly to Foreign Service establishments concerned, and approval of basic operational plans and programs. In addition, the scope of responsibilities of field units has been broadened substantially by assigning them responsibility within the appropriate diplomatic mission or consular structure for all refugee and migration operations in their respective areas.

It is estimated that the total staff requirements in fiscal year 1960 will be 232 positions as compared to 252 (28 domestic, 66 American, and 158 local) positions budgeted in fiscal year 1959.

*Proposed for fiscal year 1960.*—The amount of \$1,341,000 requested for the refugee and migration program operations for fiscal year 1960 represents a decrease of \$33,000 below fiscal year 1959 availability of \$1,374,000. The reduction in fiscal year 1960 of 20 positions (4 Americans and 16 locals), resulting in 14.0 man-years less than in fiscal year 1959, would reduce funding requirements for salaries and related costs by \$61,152 below that required for fiscal year 1959. This decrease, however, is offset by increased requirements in the amount of \$28,152 to cover salaries for an extra workday (\$3,452), and additional costs overseas including increases in allowances (\$3,096), local wage-scale increases (\$15,317), and price increases (\$6,287).

#### 4. *Mutual Defense Assistance Control Act*

Effective January 26, 1958, responsibility was transferred from ICA to the Department of State for administering the Mutual Defense Assistance Control Act. For fiscal year 1959, as in previous years, funds for expenses of administering these responsibilities were requested and appropriated under section 410 of the Mutual Security Act and allocated to the Department by ICA. For fiscal year 1960, funds for these responsibilities are requested herein to be appropriated directly to the Department of State.

*Objectives.*—The policy objectives of the mutual defense assistance control program are contained in the basic legislation, Public Law 213, 82d Congress. These are: to safeguard the strength of the United States and its allies, and to impede the warmaking potential of the Sino-Soviet bloc by a system of security trade controls designed to prohibit or limit exports of free-world strategic materials to the bloc. The mutual defense assistance control (MDAC) program is an integral part of the overall cooperative defense effort of the free world.

Coordination in developing and carrying out this program is effected within the U.S. Government by the Economic Defense Advisory Committee and, as necessary, through the Council of Foreign Economic Policy and the National Security Council. International cooperation and coordination is effected through bilateral and multilateral negotiations. The consultative group (CG) structure in Paris serves as the permanent locus of activities on international trade controls among the 14 other primary industrialized nations of the free world. The product of executive-branch deliberations and the development and constant readjustment of the Control Act and other related lists, as well as the effective international cooperation, attest to the adequacy of the coordination efforts required under the act.

*Accomplishments.*—The Control Act program has enabled the United States to draw together the major industrialized nations of the free world in the development of a uniform policy of controls over strategic trade with the Sino-Soviet bloc. During the latter half of fiscal year 1958 and the opening months of fiscal year 1959 the major problems facing the Control Act administration included the continuing international review and revision of both the items controlled and the methods of enforcement. The recent international list review and the review of the Control Act itself have been successful in achieving up-to-date lists capable of meeting current requirements. Many complex economic, political, and technical questions facing the United States and the cooperating free world countries had to be considered. These included issues involving shipment to the bloc of certain commodities, scientific developments and their relationship to military technology, and matters concerning supply and availability of commodities.

The resolution of these problems has been a time-consuming and difficult task involving many technicians from interested executive branch agencies, the preparation of considerable supporting documentation, and negotiating conferences extending over several months.

*Problems.*—During the balance of fiscal year 1959 and during fiscal year 1960 it is anticipated that the main problems facing the Control Act administration will involve the further adjustment of these lists under operating conditions, improvement in enforcement techniques, and an increase in bilateral and multilateral international conferences to seek further cooperation in these matters among the 14 other primary industrialized free world nations.

*Relationship to other programs.*—The Control Act program is directly related to the overall U.S. economic defense efforts and through those efforts to the military security of this country and the free world. More specifically the program is legislatively related to all aid functions and programs engaged in by the United States. The MDAC Act requires mandatory termination of aid, by the President, to any country shipping certain listed commodities to the Sino-Soviet bloc. It also provides for the President's discretion in continuing or terminating aid if the shipment involves certain other listed commodities. Aid, within the terms of the Control Act, includes various types of military, economic, or financial assistance. An additional objective of the Control Act, also requiring extensive and delicate negotiation, is to secure the cooperation of those free world countries which are not recipients of U.S. aid.

Lists of commodities under export control by the United States are maintained under the Export Control Act of 1949, the Atomic Energy Act, and the Munitions Control Regulations of the Department of State. These related acts and regulations along with the foreign assets control regulations, and the Treasury transactions control regulations, require that the United States exercise various controls over its own exports, and over the commercial activities of U.S. citizens and subsidiary firms. They tie in closely with the objectives of the Control Act.

*Proposed fiscal year 1960 program.*—The prospects for the program through fiscal year 1964, given very little change in the international situation, and in light of existing legislation, would indicate a continuation of this program at about the same level and with the same content, purpose, and effectiveness as at present.

The amount of \$1 million appropriated for fiscal year 1959 has been increased by \$45,000 to \$1,045,000 to cover the increased pay costs provided by Public Law 85-462. The additional funds were derived by transfer from "President's Fund to Asian Economic Development, Executive, 1959-1191077," in accordance with Presidential determination. Although increased pay costs are estimated to be \$84,000 for fiscal year 1959, it has been possible to absorb about \$39,000 of this amount in overhead as a result of the MDAC merger with the Department of State. The authorization and appropriation of \$1,045,000 for Control Act expenses is requested for fiscal year 1960, the same amount used in fiscal year 1959.

## Administrative expenses, State sec. 411(c)—Consolidated comparative summary of obligations by object class, fiscal year 1960

## DEPARTMENTAL AND FOREIGN SERVICE

| Description  | Actual, 1958 |             | Estimated, 1959 |             | Estimated, 1960 |             |
|--|--------------|-------------|-----------------|-------------|-----------------|-------------|
|  | Number       | Amount      | Number          | Amount      | Number          | Amount      |
| Personal services:                                 |              |             |                 |             |                 |             |
| Permanent American positions.....                  | 644.0        | \$4,980,040 | 616.0           | \$4,810,877 | 621.0           | \$4,865,794 |
| Deduct: Lapse:                                     |              |             |                 |             |                 |             |
| Regular.....                                       | -49.4        | -489,497    | -43.6           | -334,910    | -31.0           | -218,093    |
| Pay costs (1958 only).....                         |              | -245,629    |                 |             |                 |             |
| Add: Terminal leave.....                           | 5.8          | 52,146      | 4.3             | 41,075      | 4.3             | 41,375      |
| Net personal services, Americans.....              | 590.4        | 4,297,060   | 576.7           | 4,517,042   | 594.3           | 4,689,076   |
| Permanent local positions.....                     | 318.0        | 645,610     | 276.0           | 618,596     | 260.0           | 623,784     |
| Deduct: Lapse.....                                 | -35.7        | -60,273     | -5.8            | -16,408     | -4.2            | -16,549     |
| Add: Terminal leave.....                           | 1.5          | 4,230       | 1.1             | 3,247       | 1.2             | 3,412       |
| Net personal services, locals.....                 | 283.8        | 583,567     | 271.3           | 605,435     | 257.0           | 610,647     |
| W.A.F.....   | .1           | 825         | .5              | 8,000       | 1.7             | 21,500      |
| Part-time and temporary.....                       | 3.4          | 21,223      | 4.3             | 13,680      | 4.3             | 13,680      |
| Average employment all personnel.....              | 867.7        | 4,902,676   | 852.8           | 5,142,357   | 857.3           | 5,335,103   |
| Pay in excess of 52-week base.....                 |              | 16,066      |                 | 19,709      |                 | 40,482      |
| Payment above basic rates:                         |              |             |                 |             |                 |             |
| Allowances.....                                    |              | 609,457     |                 | 540,823     |                 | 568,076     |
| Overtime and holiday pay.....                      |              | 40,764      |                 | 32,919      |                 | 27,588      |
| Nightwork differential.....                        |              | 1,508       |                 | 1,164       |                 | 1,342       |
| Hardship post differential.....                    |              | 49,755      |                 | 61,150      |                 | 62,662      |
| Total personal services.....                       |              | 5,523,125   |                 | 5,788,212   |                 | 6,025,252   |
| Direct obligations:                                |              |             |                 |             |                 |             |
| 01 Personal services.....                          |              | 5,523,125   |                 | 5,788,212   |                 | 6,025,252   |
| 02 Travel.....                                     |              | 748,263     |                 | 784,409     |                 | 818,531     |
| 03 Transportation of things.....                   |              | 203,073     |                 | 100,031     |                 | 192,525     |
| 04 Communication services.....                     |              | 374,282     |                 | 343,692     |                 | 383,413     |
| 05 Rents and utilities.....                        |              | 201,091     |                 | 190,044     |                 | 188,965     |
| 06 Printing and reproduction.....                  |              | 20,999      |                 | 25,683      |                 | 26,183      |
| 07 Other contractual services.....                 |              | 260,458     |                 | 259,206     |                 | 249,206     |
| 07a Services performed by other agencies.....      |              | 32,094      |                 | 26,241      |                 | 36,814      |
| 08 Supplies and materials.....                     |              | 223,711     |                 | 225,069     |                 | 213,642     |
| 09 Equipment.....                                  |              | 75,720      |                 | 70,529      |                 | 68,365      |
| 11 Grants, subsidies and contributions.....        |              | 1,077       |                 | 73          |                 | 73          |
| 11a Contributions to civil service retirement..... |              | 179,138     |                 | 190,906     |                 | 186,620     |
| 13 Refunds, awards and indemnities.....            |              | 50          |                 |             |                 |             |
| 15 Taxes and assessments.....                      |              | 5,633       |                 | 5,445       |                 | 5,445       |
| Total direct obligations.....                      |              | 7,857,638   |                 | 8,164,000   |                 | 8,393,000   |

## DEPARTMENTAL

|                                       |       |             |       |             |       |             |
|---------------------------------------|-------|-------------|-------|-------------|-------|-------------|
| Personal services:                    |       |             |       |             |       |             |
| Permanent American positions.....     | 336.0 | \$2,557,283 | 323.0 | \$2,471,633 | 329.0 | \$2,535,092 |
| Deduct: Lapse:                        |       |             |       |             |       |             |
| Regular.....                          | -49.5 | -345,393    | -36.5 | -267,092    | -26.2 | -172,007    |
| Pay costs (1958 only).....            |       | -124,893    |       |             |       |             |
| Add: Terminal leave.....              | 1.0   | 8,000       | 1.0   | 8,015       | 1.0   | 8,015       |
| Net personal services, Americans..... | 287.5 | 2,095,087   | 287.5 | 2,212,556   | 303.8 | 2,371,100   |
| Permanent local positions.....        |       |             |       |             |       |             |
| Deduct: Lapse.....                    |       |             |       |             |       |             |
| Add: Terminal leave.....              |       |             |       |             |       |             |
| Net personal services, locals.....    |       |             |       |             |       |             |
| When actually employed.....           | .1    | 825         | .5    | 8,000       | 1.7   | 21,500      |
| Part-time and temporary.....          |       | 8,630       | .4    | 2,200       | .4    | 2,200       |
| Average employment all personnel..... | 287.6 | 2,099,542   | 288.4 | 2,220,756   | 305.9 | 2,394,800   |
| Pay in excess of 52-week base.....    |       | 8,000       |       | 8,667       |       | 18,104      |
| Payment above basic rates:            |       |             |       |             |       |             |
| Allowances.....                       |       |             |       |             |       |             |
| Overtime and holiday pay.....         |       | 33,707      |       | 25,973      |       | 20,642      |
| Nightwork differential.....           |       | 1,508       |       | 1,164       |       | 1,342       |
| Total personal services.....          |       | 2,142,847   |       | 2,256,580   |       | 2,434,888   |

*Administrative expenses, State sec. 411(c)—Consolidated comparative summary of obligations by object class, fiscal year 1960—Continued*

## DEPARTMENTAL—Continued

| Description                                   | Actual, 1958 |             | Estimate, 1959 |             | Estimate, 1960 |             |
|---|--------------|-------------|----------------|-------------|----------------|-------------|
|   | Num-ber      | Amount      | Num-ber        | Amount      | Num-ber        | Amount      |
| Direct obligations:                           |              |             |                |             |                |             |
| 01 Personal services                          |              | \$2,142,847 |                | \$2,256,580 |                | \$2,434,888 |
| 02 Travel                                     |              | 284,481     |                | 314,944     |                | 367,049     |
| 03 Transportation of things                   |              | 2,343       |                | 1,203       |                | 1,263       |
| 04 Communication services                     |              | 31,389      |                | 30,704      |                | 31,404      |
| 05 Rents and utilities                        |              | 15,071      |                | 1,900       |                | 1,900       |
| 06 Printing and reproduction                  |              | 29,191      |                | 24,853      |                | 25,353      |
| 07 Other contractual services                 |              | 30,545      |                | 35,011      |                | 25,011      |
| 07a Services performed by other agencies      |              | 32,094      |                | 20,241      |                | 36,441      |
| 08 Supplies and materials                     |              | 24,325      |                | 19,572      |                | 19,072      |
| 09 Equipment                                  |              | 5,000       |                | 4,022       |                | 0,291       |
| 11 Grants, subsidies, and contributions       |              |             |                |             |                |             |
| 11a Contributions to civil service retirement |              | 101,016     |                | 109,767     |                | 109,068     |
| 13 Refunds, awards and indemnities            |              | 50          |                |             |                |             |
| 15 Taxes and assessments                      |              | 98          |                | 110         |                | 110         |
| Total direct obligations                      |              | 2,699,050   |                | 2,825,057   |                | 3,062,540   |

## FOREIGN SERVICE

|   |       |             |       |             |       |             |
|---|-------|-------------|-------|-------------|-------|-------------|
| Personal services:                            |       |             |       |             |       |             |
| Permanent American positions                  | 308.0 | \$2,422,757 | 293.0 | \$2,339,241 | 292.0 | \$2,330,702 |
| Deduct: Lapse:                                |       |             |       |             |       |             |
| Regular                                       | -19.0 | -144,104    | -7.1  | -67,818     | -4.8  | -46,080     |
| Pay costs (1958 only)                         |       | -120,736    |       |             |       |             |
| Add: Terminal leave                           | 4.8   | 44,056      | 3.3   | 33,000      | 3.3   | 33,360      |
| Net personal services, Americans              | 292.9 | 2,201,973   | 289.2 | 2,304,486   | 290.6 | 2,317,976   |
| Permanent local positions                     | 318.0 | 645,610     | 270.0 | 618,596     | 260.0 | 623,784     |
| Deduct: Lapse                                 | -35.7 | -66,273     | -5.8  | -16,408     | -4.2  | -10,549     |
| Add: Terminal leave                           | 1.5   | 4,230       | 1.1   | 3,247       | 1.2   | 3,412       |
| Net personal services, locals                 | 283.8 | 583,567     | 271.3 | 605,435     | 257.0 | 616,647     |
| Part-time and temporary                       | 3.4   | 17,593      | 3.9   | 11,090      | 3.0   | 11,680      |
| Average employment all personnel              | 580.1 | 2,803,133   | 564.4 | 2,921,601   | 551.4 | 2,940,303   |
| Pay in excess of 52-week base                 |       | 10,900      |       | 11,112      |       | 22,378      |
| Payment above basic rates:                    |       |             |       |             |       |             |
| Allowances                                    |       | 509,457     |       | 540,823     |       | 508,075     |
| Overtime and holiday pay                      |       | 6,907       |       | 6,949       |       | 6,946       |
| Hardship post differential                    |       | 49,755      |       | 51,150      |       | 52,062      |
| Total personal services                       |       | 3,340,278   |       | 3,531,632   |       | 3,590,304   |
| Direct obligations:                           |       |             |       |             |       |             |
| 01 Personal services                          |       | 3,340,278   |       | 3,531,632   |       | 3,590,304   |
| 02 Travel                                     |       | 463,812     |       | 469,465     |       | 451,481     |
| 03 Transportation of things                   |       | 200,730     |       | 194,768     |       | 191,262     |
| 04 Communication services                     |       | 342,803     |       | 352,388     |       | 352,069     |
| 05 Rents and utilities                        |       | 186,020     |       | 188,054     |       | 186,075     |
| 06 Printing and reproduction                  |       | 808         |       | 830         |       | 830         |
| 07 Other contractual services                 |       | 229,913     |       | 224,195     |       | 224,195     |
| 07a Services performed by other agencies      |       |             |       |             |       |             |
| 08 Supplies and materials                     |       | 199,360     |       | 205,497     |       | 194,010     |
| 09 Equipment                                  |       | 70,114      |       | 76,507      |       | 59,074      |
| 11 Grants, subsidies, and contributions       |       | 1,071       |       | 73          |       | 73          |
| 11a Contributions to civil service retirement |       | 78,122      |       | 81,199      |       | 70,852      |
| 15 Taxes and assessments                      |       | 5,435       |       | 5,335       |       | 5,335       |
| Total direct obligations                      |       | 5,168,582   |       | 5,328,943   |       | 5,332,460   |

## STATEMENT OF RICHARD F. COOK, ACTING DEPUTY DIRECTOR FOR MANAGEMENT

Section 411(b) of the Mutual Security Act of 1959, Public Law 86-108, approved July 24, 1959, authorizes to be appropriated not to exceed \$39,500,000 for necessary administrative expenses for the International Cooperation Administration for fiscal year 1960.

The mutual security and related appropriations bill, 1960 (H.R. 8385) as passed by the House of Representatives on July 24, appropriates \$37 million for this purpose, plus the unobligated balance of the fiscal year 1959 appropriation, estimated to be \$125,000, for a total of \$37,125,000 as compared with the request of \$39,500,000.

The result of this reduction is that fiscal year 1960 activities cannot be carried on at the fiscal year 1959 level. In the course of considering the authorization request for technical cooperation for fiscal year 1959, Congress added \$8 million to the amount requested in order to strengthen the ICA personnel system, to provide increased opportunities for language training of the agency staffs, and to expand the program of foreign participant training. The Committee on Foreign Relations of the Senate supported this increase initiated by the House stating, "It is intended by the committee that the increase over the administration's request be used primarily for personnel improvement programs. The committee is particularly anxious for ICA to expand greatly the work in training technicians in the language of the country to which they are assigned. Further improvements could also be made in ICA's methods of recruiting. The committee recognizes that a part of these expenditures would come under the heading of administrative expenses, which are provided for elsewhere in the act. The committee feels, however, that these activities have such a direct bearing on the success of the total technical assistance program that they can properly be carried on with nonadministrative funds."

In implementing this program, the activities normally funded from general administrative expenses have been expanded in order that the agency's efforts might be devoted simultaneously toward accelerating recruitment, improving the quality of employees selected, and providing enlarged opportunities for staff development and training. During fiscal year 1959 programs were started at several new locations in Africa and Latin America for which it was necessary to provide minimum essential staffing. It was also necessary to strengthen the staffs at several other locations opened in fiscal year 1958 in Africa, Far East, Latin America, Near East, and south Asia. Additional personnel have been added both in Washington and at other selected overseas locations to provide adequate staff support. As a result of the foregoing, we are currently in the position, in fiscal year 1960, to give increased attention to the improvement of management in the planning, administration, and review of mutual security programs.

In order to continue the staffing put on the rolls in fiscal year 1959 into fiscal year 1960, thereby continuing the benefits resulting from the improvement in our personnel operations, both in the recruitment and in the training of personnel, the additional \$1,700,000 is required to provide for full-year costs for these activities.

The remaining \$1 million of the \$2,700,000 increase requested is required to cover the costs of an additional 38 Americans and 104 foreign nationals, all planned for overseas locations. Twenty-nine of the total of 38 new American positions requested are scheduled for the African area, primarily to provide essential additional staff in newly opened locations. The remaining nine American positions are for the strengthening of missions in Latin America. No increase is being requested for Washington positions above those authorized for fiscal year 1959.

Constantly stricter control over the administrative expenses has been exercised by the agency during the past several years. In spite of increased costs for salaries payment to the Civil Service Commission to cover retirement costs of employees, payment of the Government share of Federal employees insurance program, increases in costs of rents and utilities, opening of new locations in under-developed areas of the world, etc., the total administrative costs of the nonmilitary assistance program, including the Department of State and the Development Loan Fund, has not exceeded 3 percent of the new obligating authority and the estimated cost for fiscal year 1960 is slightly more than 2 percent of new obligating authority requested.

In summary it is requested that the committee give favorable consideration to restoring \$2,375,000 to this appropriation which, together with reappropriated unobligated prior-year funds estimated at \$125,000 will provide the full \$39,500,000 requested, in order to permit the agency to continue and further improve its managerial direction and control of the nonmilitary mutual security program for which it is responsible, including the continued utilization of people presently employed in directing and controlling the resources (men, money, and materials) made available under the nonmilitary provisions of the Mutual Security Act and to permit a relatively small increase in the staffs at selected overseas locations.

It is understood, of course, that in requesting full restoration there will be placed in reserve the amount included, estimated at approximately \$500,000, covering the costs of functions transferred to the newly created office of Inspector General and Comptroller in the Department of State, recently authorized by the Congress in the Mutual Security Act of 1959.

There follows a narrative and statistical statement, comparing the fiscal year 1959 availability to the fiscal year 1960 request, as well as a summarization of the increase requested in fiscal year 1960 by geographical areas.

#### GENERAL ADMINISTRATIVE EXPENSES, ICA (SEC. 411(b))

The proposed fiscal year 1960 authorization and appropriation for the administrative expenses of the mutual security program requested under section 411(b) of the Mutual Security Act of 1954, as amended, is \$39,500,000. This figure excludes the administrative expenses of the Department of Defense, for which funds are being requested under section 103(b), and the "administrative expenses, State," for which funds are being requested under section 411(c) of the Mutual Security Act of 1954, as amended. Also excluded are costs of administering the Development Loan Fund for which funds are being requested under section 204(b) of the Mutual Security Act of 1954, as amended.

The amount appropriated under section 411(b) for general administrative expenses in fiscal year 1959 was \$33 million. This amount included funds totaling \$45,000 for the costs of salaries and related expenses of employees engaged in conducting the activities and functions of the International Development Advisory Board, for which funds are being requested in fiscal year 1960 under section 411(c) of the Mutual Security Act of 1954, as amended. To this net appropriation of \$32,955,000 has been added \$2,140,000, which it is proposed to transfer from the President's Fund for Asian Economic Development, Executive to fund increased salary costs during fiscal year 1959 as authorized in the Federal Employees Salary Increase Act of 1958, Public Law 85-402. In the course of considering the authorization request for technical cooperation for fiscal year 1959, the Congress added \$8 million to the amount requested, in order to strengthen the ICA personnel system, to provide increased opportunities for language training of ICA staffs, and to expand the program of foreign participant training. To implement this program adequately, it has been necessary to expand the activities normally funded from general administrative expenses. In order to preserve the current distinctions between administrative and program expenses, the amount of \$1,700,000 is proposed to be transferred to the general administrative expenses appropriation from the fiscal year 1959 technical cooperation appropriation. By adding the two foregoing amounts to the actual amount appropriated (net) for fiscal year 1959, the total amount available for general administrative expenses in fiscal year 1959 is \$38,795,000 as compared to the \$39,500,000 requested for fiscal year 1960.

#### *Program summary*

(In thousands of dollars)

|                                 |         |
|---------------------------------|---------|
| Fiscal year 1958.....           | 31, 250 |
| Estimate, fiscal year 1959..... | 30, 795 |
| Proposed, fiscal year 1960..... | 39, 500 |

*Detail of program*

[In thousands of dollars]

|                                | Actual,<br>1958 | Program,<br>1959 | Proposed,<br>1960 |
|--------------------------------|-----------------|------------------|-------------------|
| Washington.....                | 14,830          | 17,155           | 18,230            |
| Overseas:                      |                 |                  |                   |
| Europe.....                    | 1,103           | 1,089            | 1,061             |
| Africa.....                    | 1,783           | 2,119            | 2,948             |
| Near East and south Asia.....  | 4,619           | 5,477            | 5,990             |
| Far East.....                  | 5,839           | 6,440            | 8,774             |
| Latin America.....             | 2,812           | 3,093            | 3,461             |
| Overseas personnel system..... | 270             | 1,422            | 1,030             |
| Total overseas.....            | 16,426          | 19,640           | 21,270            |
| Total ICA.....                 | 31,256          | 36,795           | 39,500            |

*Obligations and expenditures*

[In thousands of dollars]

| Economic assistance             | Obligations | Expenditures | Unliquidated |
|---------------------------------|-------------|--------------|--------------|
| Cumulative, June 30, 1958.....  | 1 267,524   | 1 262,599    | 4,625        |
| Estimate, fiscal year 1959..... | 30,705      | 35,575       |              |
| Cumulative, June 30, 1959.....  | 304,319     | 298,474      | 5,845        |

1 Includes funds appropriated prior to fiscal year 1958 for 411(c) purposes.

The funds requested for ICA are used in Washington and in over 60 overseas locations of administering certain economic assistance programs under the mutual security program. The personnel involved develop and screen the assistance programs for each country and assure that the assistance achieves the purposes for which it is intended and that funds are properly managed and controlled. In order to effectively and efficiently administer and carry out the complex activities involved in the mutual security program, it is essential that adequate personnel, both in quality and quantity, and funds be provided to accomplish these purposes. The additional funds requested in fiscal year 1960 of \$2,705,000 over the amount available for fiscal year 1959 are required to maintain and improve the management and control of the ICA-administered multimillion-dollar program. The additional \$2,705,000 will provide for the following:

(a) \$1,700,000 for full-year salary costs and related expenses of positions for which only part-year financing was provided in the fiscal year 1959 availability of \$30,795,000.

(b) \$400,000 for new positions and related costs in newly opened locations.

(c) \$600,000 for expanded support at selected overseas locations in Africa and Latin America, where staff strength in the total area is below the level necessary to satisfactorily maintain, manage, and control ICA-administered programs, and a modest increase in Washington for increased use of consultants.

1. Washington costs are expected to increase by \$1,075,000, from \$17,155,000 in fiscal year 1959 to \$18,230,000 in fiscal year 1960. Though the number of authorized permanent positions (excluding reimbursable positions) will remain at 1,556, the same number as for the current fiscal year, the man-years of employment are expected to rise to 1,501 as compared to 1,418 in fiscal year 1959, an increase of 83 man-years. In addition, part-time and temporary employment is expected to increase from 31 man-years during the current fiscal year to 44 man-years in fiscal year 1960.

2. Europe costs are expected to be slightly less in fiscal year 1960 than for fiscal year 1959, decreasing from \$1,089,100 in fiscal year 1959 to \$1,061,500 for fiscal year 1960. Total permanent American positions will remain at 44 for fiscal year 1960, the same number as for the current fiscal year, which is considered to be minimal staffing essential to carry out our responsibilities in this area. Man-years of American employment, however, is expected to decrease from 44.2 man-years in fiscal year 1959 to 40.3 man-years in fiscal year 1960, due to an anticipated decrease during fiscal year 1960 in the number of American positions required in Austria, Germany, and Italy.



3. Africa costs are expected to increase by \$829,200, from \$2,119,100 in fiscal year 1959 to \$2,948,300 for fiscal year 1960. This increase will provide for 29 additional permanent American positions and 75 additional permanent foreign national positions. Seventeen of the additional 29 American positions and 24 of the additional foreign national positions are required to build up the staffs in the newly opened locations of east Africa, Federation of Rhodesia and Nyasaland, Ghana, and Nigeria. The remaining 12 additional American positions and the 51 additional foreign national positions will provide expanded support at selected African locations where staff strength is below the level considered necessary to satisfactorily maintain, manage, and control ICA administered programs.

4. Near East and south Asia costs are expected to increase by \$519,000, from \$5,477,000 in fiscal year 1959 to \$5,996,000 for fiscal year 1960. Though it is not proposed to increase the authorized number of permanent American positions in fiscal year 1960 above the 254 authorized for the current fiscal year it is anticipated that man-years of American employment will increase from 225.2 man-years in fiscal year 1959 to 234.4 man-years in fiscal year 1960. The estimate also contemplates an increase of 92 foreign national positions in fiscal year 1960, from 378 during the current fiscal year to 470 in fiscal year 1960. However, 61 of these additional foreign national positions are currently employed in Pakistan, charged to program funds. As a result of a reevaluation of foreign national employment in Pakistan it has been determined that these 61 positions should be funded from administrative expenses in fiscal year 1960.

5. Far East costs are expected to increase by \$333,600, from \$8,440,100 in fiscal year 1959 to \$8,773,700 for fiscal year 1960. Though it is not proposed to increase the authorized number of permanent American positions in fiscal year 1960 above the 299 authorized for the current fiscal year, it is anticipated that man-years of American employment will increase from 274.8 man-years in fiscal year 1959 to 277.6 man-years in fiscal year 1960. The estimate anticipates a net increase of 15 foreign national positions in fiscal year 1960, from 659 during the current fiscal year to 674 in fiscal year 1960. The net increase of 15 additional foreign national positions actually contemplates the transfer from program funds to administrative funds in fiscal year 1960 of 17 foreign nationals in Thailand, offset by a decrease of 2 in Japan.

6. Latin America costs are expected to increase by \$367,800, from \$3,092,700 in fiscal year 1959 to \$3,460,500 for fiscal year 1960. Permanent American positions are expected to increase from 146 in fiscal year 1959 to 155 in fiscal year 1960 and the man-years of employment is expected to increase from 130.1 man-years in fiscal year 1959 to 146.5 man-years in fiscal year 1960. Permanent foreign national positions are expected to increase from 294 in fiscal year 1959 to 305 in fiscal year 1960 and the man-years of employment is expected to increase from 272.1 man-years in fiscal year 1959 to 291 man-years in fiscal year 1960. Increases in American and foreign national positions will be used to provide additional support in selected overseas locations in Latin America where staff strength is considered to be below the level necessary to adequately maintain, manage, and control ICA administered programs.

7. Overseas personnel program costs are expected to decrease by \$392,000, from \$1,422,000 in fiscal year 1959 to \$1,030,000 in fiscal year 1960. Though the number of personnel authorized under this program for fiscal year 1960 will be the same as for fiscal year 1959 certain nonrecurring contractual costs involved in the several training programs carried on under this heading for which obligations have been incurred in fiscal year 1959 will not recur in fiscal year 1960.

[Unclassified—M580 Memo 41]

DEPARTMENT OF STATE,  
SPECIAL ASSISTANT FOR MUTUAL SECURITY COORDINATION,

August 14, 1959.

To: All recipients.

Subject: Executive branch positions on House appropriation bill.

For information of participants in the mutual security program congressional presentation for fiscal year 1960, there is attached a letter of August 13, 1959, from the Acting Secretary to the chairman of the Senate Appropriations Committee, together with executive branch position papers on appropriation cuts and substantive provisions of the House mutual security appropriation bill, and on directives of the House Appropriations Committee. These position papers were submitted to the Senate Appropriations Committee for consideration during markup of the Mutual Security Appropriation Act, 1960.

ROBERT BRUSKIN.

AUGUST 13, 1959.

Hon. CARL HAYDEN,  
Chairman, Committee on Appropriations, U.S. Senate.

DEAR SENATOR HAYDEN: As the Senate Committee on Appropriations moves toward final actions on the mutual security appropriation bill for fiscal year 1960, I wish to request officially on behalf of the executive branch that the committee provide full restoration of the amounts authorized for military assistance, defense support, special assistance, bilateral technical cooperation, and the Development Loan Fund for fiscal year 1960, together with the sum requested by the President to be appropriated now for the Development Loan Fund for fiscal year 1961, and for certain other items as set out in the following table:

|   | Amount        | Annex |
|---|---------------|-------|
| Military assistance.....                      | \$100,000,000 | A-1   |
| Defense support.....                          | 51,000,000    | A-2   |
| Development Loan Fund.....                    | 660,000,000   | A-3   |
| Administrative expense limitation.....        | (300,000)     | A-3a  |
| Bilateral technical cooperation.....          | 25,600,000    | A-4   |
| Special assistance.....                       | 47,500,000    | A-5   |
| ICA administrative expenses.....              | 2,375,000     | A-6   |
| State Department administrative expenses..... | 431,000       | A-7   |
| Atoms for peace.....                          | 1,248,730     | A-8   |

Specific statements supporting the request of the executive branch for restoration of funds in each of these accounts are set out in annex A, as indicated in the above table.

I should like to bring again to the attention of the committee the fact that the President in proposing the mutual security program for fiscal year 1960 declared that the sums requested in each of the categories were set at the minimum levels consistent with the achievement of our important foreign policy objectives and our national security interests. The President has stated that the cuts made by the appropriation bill as passed by the House were deeply below the minimum he considers necessary for the security of our own Nation and the free world. I should like to reiterate, as I said in my statement to the committee, that the disasters to which we fear these cuts will lead will be no less real and no less harmful because they might not become fully apparent for several years.

A number of amendments adopted in the appropriation bill as passed by the House would seriously impede the administration of the program. Others will provide limitations which we believe are unsound and should be removed. The views of the executive branch on each of these amendments are set out in annex B, and I trust that the committee will give thoughtful consideration to these views in acting on the bill before it.

The House Appropriations Committee in acting on the appropriation bill set out a directive relating to one account and a denial of funds relating to two others, as to which, however, no limitations were stated in the legislation. The views of the executive branch on each of these items are set out in detail in annex C.

Sincerely yours,

DOUGLAS DILLON, Acting Secretary.

#### ANNEX A-1

#### REQUEST FOR RESTORATION OF \$100 MILLION IN MILITARY ASSISTANCE APPROPRIATION

The executive branch requested \$1.6 billion in new obligational authority for fiscal year 1960 to cover the U.S. contribution of military materiel and training assistance to the collective security effort which the United States has established with over 40 free world nations. The Congress has authorized the appropriation of \$1,400 million. The appropriations bill as passed by the House provides \$1,300 million.

The President in his message to Congress on the mutual security program said: "This amount is far below that needed for our share of the cost of improving, or even providing, essential maintenance for the forces of our allies. It is a minimum figure necessary to prevent serious deterioration of our collective defense system." The President also pointed out that this is the minimal sum needed to continue a sufficient flow of materials and training for the year even by further cannibalizing the pipeline—already reduced to the point where flexibility is difficult.

The President's Committee To Study the U.S. Military Assistance Program (Draper Committee) concluded that the President's request for fiscal year 1960 funds for the military assistance program was in fact too low and recommended that an additional \$400 million, primarily for the NATO area, but to some degree for the Far East as well, should be added to his request. The Committee felt that advanced weapons, missiles, various types of modern aircraft, and a better air warning system were vitally needed by NATO forces. The President in transmitting the Committee's interim report to the Congress on April 29, 1959, indicated that "The unanimous findings of the Committee in its interim report confirm the imperative need for Congress to authorize and appropriate the full amount requested" and added that "it may well be that the carrying out of the essential equipment and training program, including the force modernization recommended by the Committee, will require additional authority to obligate funds in fiscal year 1960. Undoubtedly, more funds will be required should the Congress fail to appropriate the full amount already requested."

During the hearings on the mutual security program, executive branch witnesses have emphatically indicated that the threat to the free world is not decreasing. Today, those who would enslave freemen everywhere are embarked upon broad programs in the military, economic, political, and psychological fields, all designed to destroy the free world. These are the cold and brutal facts of life in the world today.

Our free world alliance is essential to our own national security. There can be no question about the objective of the U.S. defense program. It is to maintain a military position of such strength that first, no nation will attack us because it will know that we can inflict unacceptable damage on it in return; and second, local situations of tension can be prevented from breaking into war or can be contained if military conflict does begin. This means that we must have military strength not only on this continent, but in the whole periphery of the free world where aggression is apt to occur.

With these purposes in mind, we have now aided our allies to develop and support ground forces of more than 5 million men stationed on their home soil at points along the Communist frontier where the danger of local aggression is the greatest. These nations now man air forces of some 30,000 aircraft, of which nearly 14,000 are jets. They also man some 2,500 naval vessels. And they have made available to us for our use some 250 bases in strategic locations—bases which are essential to the full effectiveness of the deterrent power of our own air and naval forces. One of our allies has already made its territory available for intermediate range ballistic missile bases and these have been established—enormously increasing the deterrent power of the free world. Negotiations are under way with other allies for the establishment of IRBM sites on their territory also.

It would be shortsighted, indeed, if the United States spent over \$40 billion on its own forces and then declined to spend the much smaller sum—approximately 5 percent—needed to maintain and modernize the forces of our allies which are essential to our whole defensive concept, and without which our own military expenditures would have to be enormously increased.

As the President has said, it will be impossible for us to raise and maintain forces of equal strength and with the immeasurable value of strategic location without the strength of these allies. Our own Nation would inevitably become an armed camp, our youth would be subjected to a heavily increased draft and the cost in dollars would be many billions above the present total of our combined Department of Defense and military assistance budgets.

The recently enacted authorizing bill provided for an authorization of \$1.4 billion, in lieu of the \$1.6 billion requested.

Preliminary analysis indicates that the following adjustments will have to be made in the planned fiscal year 1960 program, as a result of the reduction:

#### *Europe*

Curtail modernization programs for missiles and related equipment and certain fighter and naval patrol aircraft.

#### *Near East*

Virtually eliminates fiscal year 1960 programming of funds for construction projects; reduce programs for ammunition, medium tanks and fighter aircraft; and curtail replacement of naval vessels.

#### *Far East*

Eliminate programming of modern naval aircraft for antisubmarine warfare (S2F); coastal minesweepers (MSC); certain auxiliary naval craft; light and medium tanks and tank-recovery vehicles.

*Latin America*

Delays the reactivation of a U.S. naval destroyer and two destroyer escorts to be loaned to four Latin American countries to replace obsolete vessels in their fleets and cuts in half the funds required for credit financing of military equipment sales to a major Latin American country.

It should be noted that because of the need to continue the support and maintenance of basic forces already in being, the probable deletions will necessarily be particularly heavy in items and projects designed to provide much needed modernization. These projects had been recommended for financing in fiscal year 1960 even under an austere program. They will now have to be deferred with a resultant increase in the military risk. Even if these requirements are ultimately added to later authorizations and appropriations, the time lost now cannot be fully recovered. More importantly such deferments limit forward planning and jeopardize the free world's ability to counter the military strength of the Communist bloc. This could well tempt the Soviet bloc to reckless actions designed to probe the areas of weakness which result from the reduced aid availabilities.

The impact of the cut as enumerated above is, in the opinion of the executive branch, most serious and increases the calculated risk to the United States and free world security vis-a-vis Communist activity. It jeopardizes the prospect of carrying out a plan for the orderly maintenance and modernization of allied forces which the best military judgment considers essential to our security. Moreover, in each area of the world vital foreign policy objectives may be threatened by these reductions. In certain cases the downward revisions are likely to be interpreted as a significant basic change in U.S. policy. Several of our allies are counting on additional aid, which it should be recalled, is in every instance matched by significant domestic contributions of finances and manpower, to help them overcome critical deficiencies in their military establishments.

To fail to provide this assistance will not only disrupt their planning efforts but, more importantly, may throw into serious doubt the sincerity of U.S. pledges to assist them in their efforts to resist Communist threats and blandishments. The gradual weakening of our collective defense system by fiscal erosion could have no other meaning to our allies than that we are slackening our interest in them and in our alliances.

The effect of the further reduction (\$100 million) recommended by the House Appropriations Committee would be to impair further the strength of our worldwide collective security system. The executive branch requests the restoration of this figure to the full \$1,400 million authorized.

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#### ANNEX A-2

#### REQUEST FOR RESTORATION OF \$51 MILLION IN DEFENSE SUPPORT APPROPRIATIONS

The executive branch requested \$835 million in new obligational authority for fiscal year 1960 for defense support. The Congress has authorized the appropriation of \$751 million and the appropriations bill as passed by the House provides \$700 million. This compares with the fiscal year 1959 appropriation of \$750 million and actual 1959 obligations of \$808 million.

Defense support is an indispensable element of the U.S. collective security system. It provides economic aid to 12 nations to enable them to support our common defense with significant military forces beyond their capacity to support unaided. This economic assistance is essential both for their general political and economic stability and to make possible their military contribution. Of these 12 nations, 11—Greece, Turkey, Iran, Pakistan, Thailand, Cambodia, Laos, Vietnam, the Philippines, the Republic of China, and Korea—rim the perimeter of the Sino-Soviet bloc together they provide nearly 3 million armed forces—nearly one-half the forces of the free world. These forces are a valuable deterrent to aggression and a means of effective defense involving less risk of spreading the war than if U.S. forces were used. The 12th nation, Spain, provides important air and naval bases to the United States.

The Communist threat, against the free world—and particularly against these nations in its borders—has increased in intensity and versatility. The Communist bloc can be relied upon to probe and exploit any suspected weakness

in the free world defenses. While their efforts and skill at economic penetration have increased, there is no evidence that the military threat has in any way diminished.

There is considerable evidence to the contrary.

(1) In the Far East the Red Chinese have fiercely attacked the offshore islands and pressed their claim as the legitimate Government of China. The Communist Vietminh have launched an insidious campaign of infiltration and terror in Vietnam which has featured nightly assassinations of Vietnamese officials and has already taken the lives of two Americans. Laos, a weak nation with over 800 miles of common border with the Communist bloc, has a vigorous Communist element within its Government and regular Communist forces roaming its territory. These forces are at this moment in revolt against the Government and are supported by Communist Vietminh.

(2) In the Near East the Communists are exploiting fear of retaliation and economic weakness to attempt to weaken Greece's contribution to NATO. Iran, although it has rejected a Soviet bilateral security offer, is under continual Communist pressure and faces an added threat from the political instability in Iraq.

Without adequate defense support—both as a direct source of military strength and as a tangible symbol of continued U.S. support—the task of resisting inexorable Communist pressure will be magnified.

But defense support does more than contribute to a defense against military threats. It contributes to a firm economic and political base in these 12 relatively weak, in some cases new nations beset by a variety of overwhelming problems. Without political stability and economic vigor, military forces become a delusion and a facade. Such a situation is ready-made for a Communist victory by default without a shot being fired. Four examples of the role of defense support in this respect are worth citing.

(1) Pakistan, with a new, promising Government and heavy military obligations, is in an extremely precarious economic situation. A rapidly growing population, declining markets for its exports, falling foreign exchange reserve, and idle factories and manpower characterize a country on the margin of privation, or even starvation. This situation allows very little flexibility in U.S. aid levels. Defense support is virtually the margin of survival.

(2) Korea, with an army two-thirds the size of that of the United States and limited natural resources, must struggle to increase production and employment apace with its growing population just to maintain its already low standard of living.

(3) Turkey has recently undertaken a broad stabilization program designed to revitalize its economy. Defense support has made a major contribution to that effort. Sharp reductions would jeopardize the stabilization program, lessen her prospects for self-sufficiency, and raise doubts about U.S. interest in Turkey's long-run economic growth.

(4) Cambodia is a favorite Communist target for economic penetration. Grant aid and attractive trade proposals are among techniques used. Any lessening of free world support might make it increasingly difficult for a weak nation to resist the pressure.

It does not follow that reductions in military assistance—assuming for the minute that they were desirable—would justify reductions in defense support. Defense support requirements do not bear a precise relationship to the size of the military assistance program in the 12 recipient countries. Cuts in military assistance will not necessarily lead to reductions in country military budgets or force levels. Moreover, each of these nations is so poor that it will continue to need economic support irrespective of its military burden.

The only way that defense support reductions can be compensated for will be by drawing down inventories and foreign exchange reserves, deficit financing to meet military budget requirements, and depleting the defense support pipeline below safety levels. Such measures, however, will only delay progress toward greater self-sufficiency, and will only postpone the time when it may be possible to shift the burden of the support of these forces from the United States.

The cut in the authorization level to \$751 million is a matter for serious concern in the administration of the program. The cut in the House appropriation bill is regarded as truly dangerous. The executive branch urges the restoration of this figure to the full amount authorized.

## ANNEX A-3

## REQUEST FOR RESTORATION OF \$150 MILLION FOR DEVELOPMENT LOAN FUND FOR FISCAL YEAR 1960 AND FOR APPROPRIATION OF \$500 MILLION FOR FISCAL YEAR 1961

The executive branch requested and Congress has authorized the appropriation of \$700 million for additional capital for the Development Loan Fund for fiscal year 1960. Congress has also authorized a forward appropriation now of \$1.1 billion for fiscal year 1961 and the President has requested the appropriation now of \$500 million of this. The appropriations bill as passed by the House would provide only \$550 million for fiscal year 1960 and nothing for fiscal year 1961.

## THE REQUEST FOR FISCAL YEAR 1960

The appropriation of \$700 million for fiscal year 1960 would enable the DLF to continue to operate at about its current level of activity. The cut recommended by the House bill would seriously reduce this level which is even now clearly at a minimum in meeting foreign policy objectives.

The DLF has thus far had appropriated to it \$850 million. During the past year and a half of active operations the DLF has proved its ability to use these funds effectively. All but a small part of these funds is already committed.

*Summary data on DLF lending activity*

[Cumulative through July 27, 1959, in thousands]

|  |                       |
|--|-----------------------|
| Appropriations.....                                      | \$850, 000            |
| Loan commitments against available funds.....            | <sup>1</sup> 835, 556 |
| Administrative expenses.....                             | 1, 250                |
| Net available for loans.....                             | 13, 194               |
| Loans and guarantee agreements signed (obligations)..... | 631, 356              |
| Expenditures.....  | <sup>2</sup> 67, 064  |
| Proposals under consideration.....                       | 1, 514, 030           |
| Total proposals received.....                            | 3, 290, 063           |

<sup>1</sup> Includes \$17,200 loans authorized where letters of advice were still pending.

<sup>2</sup> Estimate.

The significant figure here is the \$835 million of commitments. A commitment represents full approval of a proposal by the DLF Board and in most cases public notification and announcement. Funds are set aside. The U.S. Government is committed and to all intents and purposes this constitutes an obligation, though formal obligation may not take place for some time with the signing of a final loan agreement.

The DLF was established by Congress to provide significant U.S. economic assistance to the development of underdeveloped countries of the free world and to provide this assistance on a loan basis to sound projects.

Repeated congressional, executive branch, and private studies have concluded that such assistance for economic development is of highest priority in U.S. security and foreign policy interests. The Draper Committee has most recently reexamined this matter and has concluded that the \$700 million is minimal for the DLF for this year and that "starting in fiscal year 1961, funds should be made available for development lending under the mutual security program at the rate of at least \$1 billion a year."

It is this form of assistance which holds out the real hope for the kind of lasting economic progress which must be made before we can realistically expect the phasing out of U.S. grant economic assistance to many countries now overburdened by the cost of security and of maintaining economic and political stability in the face of internal and cold war emergencies.

To reduce the additional capital for fiscal year 1960 below the \$700 million authorized would seriously impair the possibilities for this progress and for relief from this burden on the United States and would in many countries limit the means necessary for satisfactory development through free processes.

## THE \$500 MILLION REQUEST FOR FISCAL YEAR 1961

Every objective study of development financing has concluded that continuity of funding is as important to development as an adequate level of activity. Such studies have also concluded that loans for development should be increased in the next year or so to a rate of approximately a billion dollars annually. This thought apparently underlay the 2-year authorization proposed by the Senate and recently enacted by the Congress as a compromise from a far longer range proposal for full financing for 5 years.

The \$500 million requested by the President to be appropriated now and to become available in fiscal year 1961 is intended to provide an important first step toward establishing the DLF on a sound banking basis with at least some capital on hand for next year. Any additional amounts for the fiscal year 1961 will be dependent upon conditions then existing and the need to maintain DLF operations at a desirable level. The availability of this appropriation would enable continuity in operations and improved planning in the use of DLF resources. It would promote more comprehensive measures of self-help by borrowers and encourage careful planning in the preparation of development projects. It would tend to reduce the pressure for advance allocation of funds.

Despite the specific consideration given this matter in the authorizing legislation and the urgent request of the President, the House Appropriations Committee took no action toward recommending the appropriation and it was given no consideration in the House bill. This would seem shortsighted in terms of orderly and efficient financial management and would seem clearly contrary to congressional intent. Further, the elimination of this minimal element of continuity would make even more serious any cut in the \$700 million for fiscal year 1960. Such action would inevitably cast doubt on the future activity of DLF and would suggest to our friends abroad a lack of resolution to stand ready to provide the significant and continuous assistance needed by them in their efforts for peaceful free development over the critical years ahead.

## CONCLUSION

The executive branch urges the appropriation of the full \$700 million authorized for the Development Loan Fund for fiscal year 1960 and the \$500 million requested by the President to be appropriated now to become available in fiscal year 1961 under the authorization of \$1.1 billion provided by the authorizing legislation.

## ANNEX A-3A

REQUEST FOR RESTORATION OF \$300,000 FOR DEVELOPMENT LOAN FUND  
ADMINISTRATIVE EXPENSES

The Development Loan Fund requested an administrative expense limitation for fiscal year 1960 of \$2,050,000 within the funds to be appropriated for additions to DLF capital. The appropriation bill as passed by the House would reduce the limitation to \$1,750,000. Such a cut would be very damaging, imperiling effective management.

The executive branch does not plan on a large DLF staff, but it is essential to proceed with its careful buildup to the minimum level necessary to carry out its functions. The utilization of resources of other Government agencies on a reimbursable basis is contemplated so as to permit a DLF staffing pattern for fiscal year 1960 of only 103 persons who would be responsible for a highly complex financial operation that will be in the magnitude of \$1.5 billion. Forced reductions from this level of DLF employment, and cutbacks in reimbursements to other agencies, would result in administrative shortcuts that imperil effective management and invite the type of maladministration that has been widely deplored. It would be a clear case of pennywise and pound foolish.

The reduction proposed would have a critical impact on DLF operations:

(1) Since the DLF is a new organization, it began fiscal year 1959 with a low level of employment and slowly built up its staff to its present level. Thus, just to annualize at present levels would require substantially higher administrative funds than were required in fiscal year 1959

(2) The DLF workload would be substantially higher in fiscal year 1960 than in the past because of the time and attention that will have to be devoted to the highly important work of implementing loans authorized in the past. In addition there will be the workload which accounted for most of this year's staff time—namely, the processing of new loan applications.

(3) In projecting its fiscal year 1960 administrative expenses, DLF utilized minimum estimates relating to financial administration and auditing operations in Washington and abroad. At the same time that the Congress is emphasizing the need for more effective administration and has authorized the establishment of an inspector general and comptroller for the mutual security program, it would, through a cut in DLF administrative funds, force the DLF to cut back from executive branch estimates of the staff necessary to assure the efficient administration of DLF loan funds.

(4) One of the major lessons learned in DLF's 18 months of operation is the urgent need for DLF staff to spend much time in the field evaluating loan applications and checking projects underway. In previous months it has not been possible to free staff as much as seemed desirable for field inspection. Now, at a time when increased implementation activity is underway, the DLF would have neither sufficient funds for essential travel nor sufficient personnel to send out if the cut in administrative funds is maintained.

(5) The provisions of the authorization act reducing the reserve requirements for DLF guarantees are intended to expand private participation through this means in DLF loans. This is a desirable measure and forward step, but may have manpower implications that could not be absorbed within the total DLF administrative expense limitation if the committee cut is maintained.

(6) Since developing the administrative estimates, it has been found necessary to establish a central files unit which has further increased the personnel requirements of DLF.

#### ANNEX A-4

#### REQUEST FOR THE RESTORATION OF \$25.6 MILLION IN BILATERAL TECHNICAL COOPERATION

The executive branch has requested, and the Congress has authorized, \$179.5 million for bilateral technical cooperation in fiscal year 1960. The appropriations bill as passed by the House contains only \$150 million for this purpose, the same amount as was authorized and appropriated for fiscal year 1959. It will allow nothing for extremely important small increases planned for fiscal year 1960.

This reduction, in a small but highly effective program, appears to be short-sighted. The magnitude of the need which the program is designed to meet and the opportunity it provides for America to strike a telling blow against ignorance and disease call for vision not for parsimony.

Motivated by both humanitarianism and enlightened self-interest, technical cooperation is one of the most effective overseas programs ever initiated by the United States. It brings political and psychological—as well as economic—benefits. It is a means of uniting Americans and the people of the lesser developed nations in a common attack on problems of economic growth, education, health, and human dignity. In proportion to its costs, the returns are great.

The effects of this cut of nearly one-sixth of the proposed program for fiscal year 1960 will be felt in many of the underdeveloped nations of the free world.

Technical cooperation has played a major role in our foreign policy in the Western Hemisphere. The executive branch has proposed a 25 percent expansion in Latin American technical cooperation. While this expansion is large in terms of percentage, the money required (\$9 million) is not large and the policy reasons for the expansion are demanding. It makes no sense to provide for expanded capital flow to our neighbors through the DLF, IBRD, the new Inter-American Bank and the Export-Import Bank, if we do not at the same time enable a development of the human and institutional resources to absorb and utilize effectively this capital flow.

The increase requested for fiscal year 1960 is also intended to allow close to a 50-percent expansion for Africa for only \$6.3 million. The Senate Committee on Foreign Relations "welcomed the increased activity in Africa." The Continent of Africa, witnessing a succession of newly independent nations, and the awakening of political freedoms and ambitions, is rapidly becoming a major battleground for men's minds. Ghana, Guinea, and Tunisia have just achieved nationhood, with Nigeria, Somalia, and others to soon follow. These nations are rich in human energy and natural resources, but are deficient in the skills required for effective government and technical progress. It is imperative that the United States share



its knowledge with these eager and promising peoples. The Communists will not fail to exploit any opportunities we thrust upon them. The cost is low and the stakes are high. In Asia, the increases requested are relatively small. In countries supporting large military forces, Technical cooperation is a means of stimulating economic development and self-sufficiency—thus decreasing the long-run cost to the United States.

In fiscal year 1959 well over 99 percent of the funds available for the general purposes of technical cooperation was effectively obligated and the base was laid for a substantial expansion of this program in fiscal year 1960. There was a balance of some \$3 million remaining out of the \$8 million specially authorized by Congress for strengthening the training and personnel aspects of the program which the executive branch did not use for other technical cooperation purposes—even though the need existed—because of the special purpose for which it was made available by Congress.

Throughout fiscal year 1959, the proposed fiscal year 1960 technical cooperation program has been under review on the basis of experience, to determine whether the proposed expansion could be effectively implemented, primarily in terms of recruitment of American technicians and training of foreign nationals. This review leaves us confident that an expanded program can be successfully implemented.

Restoration of \$25.6 million of the House reduction of \$29.5 million would, together with the carryover of the estimated \$3.9 million of prior year unobligated funds, provide the \$179.5 million requested by the President for fiscal year 1960. The executive branch requests that this restoration be made.

#### ANNEX A-5

##### REQUEST FOR RESTORATION OF \$47.5 MILLION IN SPECIAL ASSISTANCE

The President requested \$272 million for special assistance. The authorization bill provides for \$247.5 million. The appropriation bill as passed by the House provides only \$200 million, or \$72 million below the amount originally requested. The fiscal year 1959 appropriation for special assistance was \$200 million, but actual obligations were \$278.2 million, which made necessary the use of the President's contingency fund and other sources totaling \$78.2 million. Thus special assistance has taken the sharpest reduction of all categories.

Special assistance is an important and flexible instrument for promoting U.S. policy objectives in a variety of special circumstances. It enables the maintenance of political and economic stability in certain countries where we enjoy military rights of significant strategic importance, such as Morocco and Libya, and in others, such as Jordan, where the alternative might be chaos not only in the country itself but in the entire region in which it is located.

It is also used to counter Soviet economic thrusts in a number of other nations; it is used to demonstrate our continued interest in the people of beleaguered Berlin.

Special assistance is also needed for certain health programs, such as the dramatic and highly successful program for malaria eradication, for help to American-sponsored schools abroad, for the support of the U.N. Emergency Force which contributes so significantly to preserving order in the Middle East, and for other matters.

Special assistance is also authorized this year for new programs to solve problems of pure water supply, to provide for increased international medical research and to give incentive to the increased investment of private capital in underdeveloped areas which is prerequisite to the ultimate reduction of our grant assistance.

Special assistance programs can be classified into three groups: (1) Those which necessarily must be increased over last year's level; (2) those which are relatively inflexible; and (3) those which would have to bear the brunt of the reduction of funds available for special assistance.

##### PROGRAMS REQUIRING INCREASES

The malaria eradication program is both an important humanitarian program, and a most important economic program. We are now approaching the third or peak year of this program. If eradication is to be achieved we must proceed with the original plan which calls for an increase in funds this year of \$10 million over last year. Last year, \$25 million was provided, and this year \$35 million is required. This increase is required if the momentum of this program is not to

be lost. If this activity does not accelerate as planned from a technical point of view, there is danger that the advances made to date would be lost, jeopardizing much of the U.S. investment made.

At the meeting of the Baghdad Pact nations in January 1958, Secretary Dulles committed the United States to providing up to \$10 million for a vital telecommunications link between the capitals of the Middle Eastern members of the pact. It is anticipated that, although no funds were required last year, at least \$5 million will have to be provided for fiscal year 1960.

The United Nations Emergency Force requires a voluntary U.S. contribution of \$3.5 million for this year. Last year the U.S. contribution was met out of the excess of a prior year contribution. This force is essential for security in the Suez area, and there is no reasonable alternative to U.S. support of this U.N. Force.

#### PROGRAMS WHICH ARE RELATIVELY INFLEXIBLE

There are several programs which because of political commitments or the specific nature of the U.S. interests are either fixed or relatively inflexible.

Two examples can be given:

1. *Libya*.—The special U.S. interests in Libya involve the continued operation of U.S. military installations and the maintenance of Libyan pro-Western orientation in this critical Africa area.

2. *Jordan*.—The preservation of the independence and political integrity of Jordan is essential to peace and stability in the Middle East and thus is vital to U.S. interests. Failure to maintain conditions of stability in Jordan would have repercussions throughout the area. In view of its limited resources, the Government cannot even maintain normal Government expenditures much less maintain present military forces and carry forward an economic development program, without major external assistance.

#### PROGRAMS THAT WOULD SUFFER REDUCTION UNDER THE PROPOSED CUT IN SPECIAL ASSISTANCE

The programs that must be increased (malaria eradication, Baghdad Pact, and United Nations Emergency Force) and the relatively inflexible programs were proposed for \$154.5 million in fiscal year 1960. No significant reductions are possible within this amount. Therefore, the House appropriation level only leaves the difference between this \$154.5 million and \$200 million; namely, \$45.5 million, to carry out all of the remaining special assistance programs. Among the principal remaining programs to be financed at this recommended level of appropriation are the following 13 programs: Berlin, Bolivia, Yugoslavia, Indonesia, Sudan, Nepal, Ethiopia, Liberia, Tunisia, Somalia, Afghanistan, Haiti, and the American schools. Last year, these same 13 programs utilized \$105.8 million, as compared with the \$45.5 million available to them if the present proposed appropriation level of \$200 million stands. Thus, cutting this appropriation to \$200 million of necessity means cutting the total from special assistance for these programs by more than 50 percent.

These 13 programs to which the recommended slicing of the special assistance appropriation would apply are:

1. *Berlin*.—It is imperative at this juncture to maintain our support for this island of freedom.

2. *Nepal*.—In view of the heavy competition with the Soviet and Chinese Communists in this country, it would be politically dangerous to reduce the program, small as it is.

3. *Ethiopia*.—The Soviet Union has recently granted Ethiopia a \$100 million line of credit. Now is no time for retrenchment in this program, small as it is.

4. *Somalia*.—This program, which last year was less than \$1 million, provides little opportunity for saving in money; and, in fact, moderate increases are required as this territory prepares itself for independence in 1960.

5. *Indonesia*.—The situation in Indonesia, where the battle for men's minds is in delicate balance, calls for stability in U.S. policy.

6. *Bolivia*.—We are all aware that the situation in Bolivia is most dangerous; our support of that country remains a critical necessity from an overall hemispheric point of view.

7. *Yugoslavia*.—Our assistance is a part of our support of this country's independence from the Soviet bloc.

8. *Tunisia*.—Our program is required to secure our mutual economic objectives and to maintain the strong Western orientation of this newly independent Arab nation.

9. *Aid to American schools.*—This valuable program received \$4.25 million last year, and a similar amount should be provided to continue the effort already underway.

Similar dangers exist in cutting the other four programs (Liberia, Afghanistan, Sudan, and Haiti).

Moreover, no money will be available for several new programs unless the total for these 13 programs is cut by more than 50 percent. These new programs of community water supply, international medical research, and investment incentive represent new approaches to old problems, the solutions of which are most important from the U.S. point of view.

The cuts made in the special assistance funds will weaken the capability of the President to deal with the important interests of the United States which have been outlined above—and will strengthen the hand of the Communist bloc to exploit exposed and weak nations.

The executive branch urges the appropriation of the full amount, \$247.5 million, authorized.

#### ANNEX A-6

#### REQUEST FOR RESTORATION OF \$2.5 MILLION IN ICA ADMINISTRATIVE EXPENSES

Authorized for ICA administrative expenses for fiscal year 1959 is \$39,500,000, but the House appropriation bill allows only \$37 million. The House Appropriations Committee report which recommended this cut of \$2,500,000 gave no reason whatsoever for the recommendation.

Since its effect will be to provide approximately the same amount of funds as were available, on a comparable basis, in fiscal year 1959, it may be assumed that the intention was to keep administrative expenses and activities at the going level. The cut, however, would require a significant reduction in the level of activities conducted in fiscal year 1959—as well as preventing a small but important needed increase in fiscal year 1960.

This is true for the following reasons:

Obligations during fiscal year 1959 exceeded \$36 million as compared to the appropriation of \$33 million for this purpose for fiscal year 1959. The appropriation had to be supplemented (1) to meet the costs of the pay raise voted by the Congress for all employees and (2) to finance certain improvements in the personnel and training systems of ICA which were called for by the House of Representatives which added \$8 million for this purpose to the authorization for technical cooperation for fiscal year 1959—an action later endorsed by the Senate in the authorization bill and by both Houses in the appropriation bill.

Parts of the costs involved in improving these systems are chargeable normally to administrative expenses. Therefore, the 1959 "Administrative expense" appropriation was supplemented in the amount of \$1,050,000 by the transfer from the "Technical cooperation" account. The effort undertaken during fiscal year 1959 to meet the congressional mandate will, of course, cost more than \$1,050,000 during fiscal year 1960. This is because many of the personnel employed in fiscal year 1959 could not be hired until well into the fiscal year after the legislation was enacted and were therefore paid for only part of a fiscal year; during fiscal year 1960 they will be on the payroll for the full fiscal year and the cost of maintaining them on the payroll for this full 1960 period explains the major part of the increase over fiscal year 1959.

Approximately \$1.7 million of the increase requested for fiscal year 1960 is for full-year salary costs and related expenses of positions for which only part year funding was provided for in fiscal year 1959. If the action of the House on this item is sustained, ICA will be faced with the serious dilemma of having inaugurated improved personnel and training programs at the direction of the Congress and yet be deprived of the funds necessary to finance such programs.

Approximately \$1 million of the fiscal year 1960 increase is for personnel and related costs to strengthen field missions in Africa and Latin America. It is proposed to add 38 Americans and 194 foreign nationals to these missions. Of these 29 Americans and 75 foreign nationals are to be assigned to the newly developing programs in Africa. The nine additional positions for Latin America are to improve analytical review of selected country programs—a need noted by the General Accounting Office—and to expand end-use audits.

No increase is being requested in Washington employment above that authorized in fiscal year 1959.

The executive branch urges most strongly, therefore, that the committee restore \$2,375,000 to this appropriation which, together with reappropriated unobligated prior year funds estimated at \$125,000 would provide the full \$39,500,000 requested.

#### ANNEX A-7

#### REQUEST FOR RESTORATION OF \$431,000 FOR STATE DEPARTMENT ADMINISTRATIVE EXPENSES

The President requested \$8,395,000 for Department of State expenses incurred in administering the mutual security program. The House appropriated \$7,900,000 and reappropriated \$64,000. There is, thus, a cut of \$431,000. No explanation was given by the House Appropriations Committee for its reduced recommendation.

At a time when intensive efforts are being made to sharpen the administration of the mutual security program, this reduction will lead to an opposite effect. The House cut not only denies a small increase but will actually compel a reduction in administrative strength now available.

Criticism of MSP administration by Congress has focused additional responsibilities upon the Office of the Coordinator of MSP. In order to meet this challenge it is imperative that a few additional officers of high quality be added to the staff and thereby strengthen coordination and supervision in the administration of these billions of dollars.

It is paradoxical that criticism should be made for inadequate administration but that reasonable funds to recruit and employ qualified personnel should be denied.

Unless the cut is restored, it will not only be impossible to strengthen administration of the mutual security program in the Office of the Under Secretary of State but it will be necessary also to reduce the number of officers in other areas of the Department of State which have an important share in providing evaluation and reviews of these programs.

Part of the reduction made by the House will eliminate funds for the International Development Advisory Board. This Board was created by statute as a means of utilizing the wisdom and experience of highly qualified private citizens for the economic aspects of the mutual security program and to provide their advice to the Secretary of State in administering this program.

Membership of this Board is bipartisan and, as directed by the statute, is representative of industry, agriculture, labor, science, and other major areas of private life. The functions of the Board were specifically considered and approved by the Congress during consideration of the authorization bill only a few weeks ago.

On a comparative basis the cost of all section 411(c) activities amounted to \$8,154,000 in fiscal year 1959, as reflected in the presentation book on nonregional programs. This amount for fiscal year 1959 included \$6,692,500 appropriated under section 411(c); a comparative transfer from ICA's section 411(b) funds of \$45,000 for expenses related to the International Development Advisory Board; the comparative transfer from section 410 funds of \$1,045,000 for expenses of the Mutual Defense Assistance Control Act; and the transfer of \$371,500 from the "President's Fund for Asian Economic Development, Executive, 1959," by Presidential determination to cover the increased pay costs provided by Public Law 85-462. The fiscal year 1959 appropriation as adjusted provided for the salaries and related expenses of 892 positions. These included 323 in the Department and 293 American and 276 local positions at various Foreign Service posts overseas.

In fiscal year 1960 the cost of these activities including Control Act expenses and the International Development Advisory Board is estimated at \$8,395,000.

In summary, the Department is requesting under section 411(c) of the Mutual Security Act a total appropriation of \$8,395,000 to cover administrative expenses of the Department for functions relating to the mutual security program. The request reflects a net increase of \$241,000 over fiscal year 1959.

There is a \$274,000 increase in the item for "Program coordination, policy review, information, and the International Development Advisory Board."

There is an offsetting decrease of \$33,000 in the administration of the refugee and migration program.

There is no change in funding requirements for the U.S. mission to NATO, European regional organizations, and the Organization for European Economic Cooperation.

There is no change in funding requirements for the Mutual Defense Assistance Control Act.

In the overall program there is a net reduction of 11 positions in fiscal year 1960, reflecting a decrease of 1 American position and 16 local positions overseas against an increase of 6 departmental positions.

The request for 1960 provides 329 departmental positions and 552 positions overseas (292 Americans and 260 locals) for a total of 881 positions in fiscal year 1960, compared with 323 departmental positions and 569 positions overseas (293 Americans and 276 locals).

The House has allowed a total of \$7,900,000 for fiscal year 1960. This amount is a reduction of \$495,000 and not only eliminates the entire amount of the increase requested by the Department, but reflects a reduction of \$254,000 below the adjusted appropriation for fiscal year 1959. In addition to completely eliminating funds for the International Development Advisory Board, the reduction by the House would seriously impair the various functions and activities of the Department related to the mutual security program. It is estimated at this time that the House reduction would make necessary the reduction of a total of 54 positions from the total included in the Department's request. This reduction would include 29 departmental positions, and 8 American and 17 local positions overseas.

#### ANNEX A-8

##### REQUEST FOR RESTORATION OF \$1,247,730 FOR ATOMS FOR PEACE PROGRAM

The executive branch requested \$6,500,000 for fiscal year 1960 under section 419 of the Mutual Security Act. This amount was authorized by the Mutual Security Act of 1959. However, the House appropriations bill appropriates \$1,500,000 plus the unobligated funds of fiscal year 1959, which amounted to \$2,051,270. The executive branch is requesting restoration of \$1,248,730 so that \$4,800,000 will be available during fiscal year 1960 for the following activities:

|                              |                  |
|------------------------------|------------------|
| Reactor grants.....          | \$1,400,000      |
| Equipment grants.....        | 1,500,000        |
| Surveys and development..... | 400,000          |
| IAEA contribution.....       | 750,000          |
| IAEA fellowship program..... | 750,000          |
| <b>Total.....</b>            | <b>4,800,000</b> |

##### 1. Reactor grants, \$1,400,000

Under the reactor-grant program the United States contributes up to one-half of the cost of a foreign research reactor project, but no amount in excess of \$350,000, in accordance with the President's offer of June 1955. It is anticipated that there will be requests for four research reactors during fiscal 1960. We expect applications only from countries where we have an aid mission.

##### 2. Research and training equipment, \$1,500,000

In addition to reactor grants the United States makes grants available for such equipment as general radioisotope, nuclear engineering, and medical training and research laboratories, as well as cobalt 60 therapy and radiation units. During fiscal year 1959, 15 of these specialized grants to 12 countries were approved for a total outlay of \$1,350,000. This was four times the amount required in 1958, when the program was initiated. The \$1,500,000 now requested will enable the United States to act favorably on the increased number of applications anticipated for fiscal year 1960.

##### 3. Survey and development of peaceful uses, \$400,000

This money would be used chiefly for technical and survey services for foreign countries and international organizations. Where we are in a position to comply with requests for such services, our Government advises foreign governments on the type of development that appears to us best to meet a particular country's needs and capabilities. Approximately \$250,000 is required for this service. Another \$100,000 is requested for a symposium. This might be carried out in Latin America or the Far East. Symposia in the past have proved a very useful means of exchanging information and increasing technical competence. Atoms-for-peace funds made possible the Second Inter-American Symposium on Nuclear Research and Application to the Life Sciences which was held under the auspices of the Organization of American States in Buenos Aires in June of this year.

\$50,000 is requested for training films which we would supply to countries when we believe they might make a useful contribution to nuclear training programs. Films would be drawn from the professional level training films prepared for the 1958 Geneva Conference.

*4. Contribution to the International Atomic Energy Agency voluntary budget, \$750,000*

Our voluntary contribution to the IAEA's operational and technical assistance activities is drawn from the section 419 budget. The IAEA's fund for the current year is \$1.5 million; it has a goal of about the same level for 1960.

*5. Scholarship program, \$750,000*

The scholarship program will make possible the training in the United States of about 100 students sponsored by the IAEA during the 1960-61 academic year. We believe such scholarships will strengthen the bonds of scientific communities between the United States and those of other countries.

We believe that if the cut in the House bill is enacted into law it will oblige us to make a sharp curtailment in our equipment grant program and in survey and development services. Since the President's offer of 1955 regarding reactor grants is still in effect, \$1,400,000 must be set aside to meet anticipated requests. We also believe that we must make a further contribution of \$750,000 to the IAEA and that it would be in our best interests to continue the fellowship program under IAEA auspices.

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ANNEX A-9

REQUEST FOR FULL APPROPRIATION OF THE \$155 MILLION AUTHORIZED FOR THE CONTINGENCY FUND

The President requested \$200 million for the contingency fund for fiscal year 1960. The Congress has authorized \$155 million and this amount is provided by the appropriations bill as it passed the House. The executive branch now urges that the full \$155 million authorized and appropriated be retained in the bill in order that the President may have funds needed to meet requirements which have already arisen and which experience shows will arise after the illustrative fiscal year 1960 programs of military and economic assistance were drafted and presented to the Congress in March of this year.

Past experience has amply demonstrated that, if the mutual security program is to fulfill its purpose, it must be capable of meeting the most urgent of the requirements which cannot be anticipated 6 to 18 months in advance. The \$147 million of funds available for contingency purposes in fiscal year 1958 was utilized to meet pressing requirements arising from economic difficulties in Spain, the need for budgetary assistance in Jordan following the termination of other foreign aid, the shortfall in financial support of the U.N. Emergency Force, and other situations. In fiscal year 1959, the \$155 million of contingency funds helped Turkey to initiate major economic and fiscal reforms, Sudan and Haiti to meet short-term dislocations in their export earnings, Lebanon to recover from the strife following the Iraqi revolution, Poland to reduce its economic dependence on the U.S.S.R., and other countries to meet urgent needs.

In some previous years, contingency requirements for economic assistance have exceeded the amount of funds available for contingency uses, and transfers were made from the military assistance appropriation. With the depletion of the unexpended balances in the military assistance pipeline, the reduction in the authorization for military assistance in fiscal year 1960, and the existence of substantial additional requirements for modernization of NATO forces as identified by the Draper Committee, military assistance funds will not be available for transfer to economic accounts. Furthermore, it may well be necessary to utilize contingency funds to meet military needs unforeseen at the time the 1960 program was developed.

The need for the full contingency fund authorized is greatly accentuated this year by the reduced authorization for other categories of the program, particularly defense support and special assistance. These cuts severely limit the possibility, which otherwise might have existed, of shifting funds within these appropriations to meet needs of higher priority which might arise.

In the period since the fiscal year 1960 programs were presented to the Congress, firm requirements involving the use of contingency funds have already been recognized in several situations. Iran is engaged in a substantial buildup and strengthening of its armed forces and requires budgetary assistance at a level

higher than that proposed in the illustrative fiscal year 1960 defense support program. Haiti's serious balance-of-payments situation, resulting from a drop in coffee earnings, justifies continuation of U.S. financial support until the new crop is harvested. Grant economic aid to Israel was not included in the detailed program requests for special assistance, and must therefore be financed from the contingency fund.

In addition to these specific requirements, the executive branch envisages that needs will arise in five categories of situations:

First, there is always the possibility that the Soviet bloc, which is constantly shifting its tactics in the cold war struggle, will decide to probe free world defenses as it did last fall in attacking the Quemoy-Matsu Islands. That probing necessitated a substantial increase of military assistance, as well as additional defense support, which effectively enabled the Chinese Nationalist forces to maintain the defenses of those islands.

Second, the maintenance of U.S. forces at some of our bases abroad gives rise to problems, particularly in those newly established states which have recently achieved independence. Within some of these states, there is frequently conflict between those elements which are prepared to accept the use of their territory by the United States and those elements who oppose the continued maintenance of U.S. bases in their territory. The judicious use of contingency funds has proven necessary in the past and has been effective in strengthening those elements friendly to us and assuring continued access to the military facilities which we need. This situation may well be repeated in the future.

Third, there are a number of countries throughout the free world whose economies are particularly vulnerable to changes in world economic conditions and which may face serious financial problems if their foreign exchange earnings are adversely affected either by natural disasters or by changes in world prices. In the last year, for example, the Sudan was confronted with very difficult problems arising from its inability to market its primary export crop—cotton. In such situations, we have an opportunity, provided the contingency fund is available, of providing additional assistance to meet these vicissitudes rather than of seeing such economies founder.

Fourth, the Soviet bloc economic offensive, which is seeking to infiltrate free world countries and to tie their economies to the Soviet bloc, continues unabated. While governments receiving Soviet assistance generally believe that they can maintain their independence despite the acceptance of such aid, there has been a growing disillusionment on this score. Yugoslavia, for example, was made acutely aware of the political strings attached to Soviet economic relations, and other states around the periphery of the Soviet bloc have had similar experiences. The availability of the contingency fund may enable us to step in at appropriate times to prevent the submergence of such countries into dependence on the Soviet bloc.

Fifth, contingency funds are extremely useful in helping to mitigate the effects of natural disasters, such as floods, earthquakes, and hurricanes, and manmade causes, such as wars and revolutions. American assistance offered in these situations demonstrates the humanitarian concern of the American people. Contingency funds have thus been important in aiding victims of floods in Pakistan, in Indonesia, and recently in Uruguay; of hurricanes and typhoons in the Caribbean and the western Pacific; of earthquakes in the Middle East; and of disease epidemics in south Asia and the Far East.

These and other potential needs which cold analysis of the uncertain future tells us will arise can only be met from the contingency fund. The executive branch therefore urges the appropriation of the full \$155 million which has been authorized and is provided in the House appropriations bill. It is already \$45 million less than the President requested and failure to appropriate it in full will further reduce the ability of the United States to meet even the gravest emergency situations arising in friendly countries throughout the world.

## ANNEX B-1

### CONSOLIDATION OF INFRASTRUCTURE FUNDS

#### THE HOUSE BILL

The House bill omits a proviso requested by the executive branch in the paragraph appropriating military assistance funds. This proviso would consolidate into one account funds made available to the Department of Defense for infrastructure by the Supplemental Appropriation Act, 1953, with all other funds

made available to the President for infrastructure by the Mutual Security Act of 1954, as amended, and allocated by him to the Department of Defense.

#### EXECUTIVE BRANCH POSITION

The funds in the Department of Defense account are completely obligated for the infrastructure program and remain only for the purpose of liquidating these obligations. This balance, as of June 30, 1959, is approximately \$40 million.

The consolidation of these funds into one account will bring together in one place funds available for the infrastructure program and will eliminate the maintenance of separate accounts by the Department of the Treasury, the Bureau of the Budget, and within the Department of Defense at the various implementation levels. It is considered that such consolidation is in accordance with the desires of the Congress for economical and efficient administration of the military assistance program.

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### ANNEX B-2

#### HEADING OF DEPARTMENT OF STATE APPROPRIATION

##### THE HOUSE BILL

The heading for the Department of State appropriation in the House bill reads "Administrative expenses" instead of "Administrative and other expenses" as requested by the executive branch.

#### EXECUTIVE BRANCH POSITION

The Department of State appropriation now includes for the first time funds for expenses of the Department in carrying out the objectives of the Mutual Defense Assistance Control Act of 1951, known as the Battle Act. Since appropriations for carrying out the objectives of the Battle Act will continue, as in the past, to include both administrative and other expenses, it would be appropriate to amend the heading accordingly.

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### ANNEX B-3

#### CRITERIA FOR NONMILITARY PROJECTS

##### THE HOUSE BILL

Section 103 of the House bill prohibits the use of funds appropriated for defense support, the Development Loan Fund, special assistance, or the contingency fund to be used for financing nonmilitary projects or programs which have not met the feasibility criteria and standards required to be applied to domestic flood control, reclamation, and other related water and land resources programs by Bureau of the Budget Circular A-47.

#### EXECUTIVE BRANCH POSITION

The executive branch agrees with the general objectives of section 103 of the House bill and the concepts covered in Bureau of the Budget Circular A-47 with respect to programs and projects undergoing economic, financial, and technical feasibility tests. Indeed, section 517 of the Mutual Security Act, enacted last year, requires that there be adequate engineering and financial planning, along with reasonably firm cost estimates to the United States, on projects and programs of over \$100,000 funded by most of the nonmilitary appropriations. This section is now being implemented by the operating agencies and assures that projects will be thoroughly evaluated from a technical and cost aspect before they are undertaken. This year the requirements of section 517 have been extended to cover projects and programs funded by the Development Loan Fund.

The executive branch also agrees with the general objective that means need to be developed to measure the relationships of benefits to costs of mutual security projects and programs. However, the executive branch strongly opposes the amendment with the mandatory application of the criteria used to evaluate water



and land resources projects in the continental United States to the many and varied mutual security projects in the underdeveloped areas for the following reasons:

1. The U.S. benefit-cost calculation is unsuited to the conditions of the underdeveloped countries, particularly as it relates to the availability of a great variety of reliable statistics.

2. The need for flexibility in providing assistance to cover national security and foreign policy considerations.

3. The Bureau of the Budget circular applies only to water and land resource projects while mutual security nonmilitary projects and programs vary from highways and industrial projects to development banking institutions.

The operating agencies on a continuing basis are attempting to improve and adapt economic and financial evaluation methods to these programs. Application of the domestic U.S. formula fails to reflect special factors in the underdeveloped economies, such as the difficulty of assigning a cost to the use of otherwise unused resources, particularly labor; the difficulty of measuring the economic consequences of such basic improvement as malaria eradication and elementary sanitation; and the difficulty of predicting prices of and demands for products not previously available. In addition, the inclusion in statute of an internal executive branch instruction which is undergoing revision would create an unnecessary and undesirable rigidity in the implementation of mutual security programs. At the request of the Senate Appropriations Committee, the executive branch will work with the committee to determine what language, if any, might be needed and proposed to assure (1) that adequate cost surveys are made before projects are undertaken, and (2) that a benefit at least equivalent to cost is foreseen for projects where such a ratio is appropriate and all other relevant factors are taken into account.

If any provision is to be enacted, it should be made clear—

(1) That it does not require reevaluation of projects and programs already entered into, for which fiscal year 1960 funds will be used;

(2) That it is not intended to affect financing for surveys and other work in connection with project evaluation; and

(3) That it is intended to apply only to water and land resource programs.

#### ANNEX B-4

##### REPORTING REQUIREMENT FOR ARCHITECTURAL FEES

###### THE HOUSE BILL

Section 104 of the House bill adds to the requirement that payments for engineering fees and services in excess of \$25,000 shall be reported to the Appropriations Committees of the House and Senate, a similar requirement with regard to architectural fees.

###### EXECUTIVE BRANCH POSITION

The executive branch does not oppose the change made by section 104 of the House bill. As most payments for architectural fees and services are made under contracts which also provide for engineering fees and services, it is not expected that the change will substantially increase reporting requirements.

Although the executive branch does not oppose the inclusion of this reporting requirement in annual mutual security appropriation acts, it would prefer its elimination because of the administrative expense involved.

#### ANNEX B-5

##### OPPOSITION TO COMMUNIST CHINA REGIME

###### THE HOUSE BILL

The House bill omits the provision reiterating the opposition of the Congress to the seating in the United Nations of the Communist China regime as the representative of China.

###### EXECUTIVE BRANCH POSITION

The executive branch fully supports the policy stated in the omitted provision, which is similar to statements in section 101 of the Mutual Security Act of 1954,

as amended, and in section 12 of the Mutual Security Act of 1955. The executive branch recognizes that the provision was deleted purely as a technical matter under the rules of the House of Representatives prohibiting legislation on an appropriation bill and that its removal does not represent a substantive expression by the House. The executive branch would, of course, welcome any reaffirmation of congressional policy on this vital matter.

#### ANNEX B-6

##### PROHIBITIONS ON USES OF FUNDS

###### THE HOUSE BILL

Sections 108, 109, and 110 of the House bill provide that none of the funds appropriated therein shall be used to carry out the provisions of sections 205(1), 401(b), and 501, respectively, of the Mutual Security Act of 1959. These latter sections (1) require that \$10 million of funds appropriated pursuant to the Mutual Security Act for use in each of fiscal years 1960 through 1964 shall be available only for education and training of people of underdeveloped countries, (2) authorize the use of not to exceed \$2.5 million of the contingency fund to provide Government-owned machine tools and other equipment to foreign small business, and (3) provide that \$2 million of the contingency fund shall be available to carry out certain health programs.

###### EXECUTIVE BRANCH POSITION

The executive branch opposes sections 108, 109, and 110 of the House bill. The executive branch did not propose, and in fact opposed, the three provisions in the Mutual Security Act of 1959 for which the House bill prohibits the use of mutual security funds. The executive branch's opposition to the three provisions was on the basis that the authority for such activities already exists in the Mutual Security Act (except to the extent section 205(1) authorizes the augmentation of educational exchange programs authorized by statutes other than the Mutual Security Act), and that such specific authorizations relating to specific fields of activity impair ability to meet changing requirements and to plan programs to meet the overall needs of particular countries or areas.

The foregoing arguments equally compel opposition to the three prohibitions contained in sections 108, 109, and 110 of the House bill on the use of funds to carry out the provisions of sections 205(1), 401(b), and 501 of the Mutual Security Act of 1959. To prohibit the initiation of new programs or the expansion of programs presently planned to be carried out or now being carried out if such programs happen to fit the descriptions contained in the three provisions of that act would even more seriously restrict ability to meet changing requirements and to plan country programs intelligently. The basic purpose of the contingency fund is to permit flexibility in meeting unforeseen conditions and changing requirements where it is in the best interests of effective administration of the mutual security program.

The executive branch will treat these prohibitions as not restricting the continuation of existing programs or the undertaking of programs included in the presentation to the Congress, which are similar to the programs described in the three authorizations. They would not preclude new activities which may be of a similar nature but are undertaken for separate purposes under authority separate from sections 205(1), 401(b), and 501 of the Mutual Security Act of 1959, nor would they prevent the use of contingency funds, as well as other authorized funds, for these purposes.

#### ANNEX B-7

##### CENTER FOR EAST-WEST CULTURAL INTERCHANGE

###### THE HOUSE BILL

Section 111 of the House bill prohibits the use of funds appropriated therein to carry out chapter VI of the Mutual Security Act of 1959, which calls for the preparation of a plan on the establishment of an East-West center for cultural interchange.

## EXECUTIVE BRANCH POSITION

The executive branch opposes section 111 of the House bill. In the light of its long and satisfactory experience with training ICA participants at the University of Hawaii, the executive branch considers it worthwhile to undertake the preparation of a plan for the establishment of an East-West center for cultural interchange, possibly in connection with the University of Hawaii.

Since the development of a plan for such a center would, as provided in chapter VI of the Mutual Security Act of 1959, support the objectives of the technical assistance program, the executive branch would like to be free to use a small amount of mutual security funds available to ICA to help finance the preparation of the plan.

## ANNEX B-8

## RESTRAINT ON POST-ICA EMPLOYMENT

## THE HOUSE BILL

Section 112 of the House bill prohibits the use of any mutual security funds to enter into a contract with any person or company who offers to provide compensation to any ICA employee, or who provides compensation to any ICA employee, who has left ICA within 2 years of the date of employment with such person or company.

## EXECUTIVE BRANCH POSITION

The executive branch strongly opposes section 112 of the House bill.

1. The provision imposes a harsh and inequitable penalty on the employees of one U.S. Government agency, although there is nothing in its record to justify such special penalties. It virtually deprives these employees of any private employment opportunities without any relationship to wrongdoing by such employees and without requiring a finding of intent on their part to engage in wrongdoing. A statute imposing such an arbitrary and unreasonable penalty on a selected group of persons constitutes a grave injustice to these persons.

The provision would affect a wide segment of the U.S. business community as well as nonprofit institutions such as colleges, universities, and foundations with which ICA, the Department of Defense, the Development Loan Funds, Department of State and other agencies contract using mutual security funds. Furthermore, it would appear to apply not only to direct contracts between these agencies named and contractors but also to contracts between foreign governments and contractors which are financed with mutual security funds. And, although the full range of its impact is not entirely clear, it would appear to apply to contracts for the supplying of commodities as well as the supplying of services. Since virtually the entire business community and most nonprofit institutions either have mutual security financed contracts or wish to be in a position to obtain such contracts, the provision would effectively deny to ICA personnel any nongovernment employment following separation from ICA.

2. If the purpose of the provision is to prohibit contractors from giving or offering to give compensation to ICA employees or promising future employment to such employees in exchange for some favor or benefit to such contractor, this purpose is already fully served by statutes and regulations currently in force which prohibit such improper activity and provide sanctions for violations. Section 512 of the Mutual Security Act imposes criminal penalties on any person who offers a U.S. Government employee or former employee any payment, and on any employee or former employee who accepts payment in connection with any procurement under the Mutual Security Act in connection with which the employee took any action pursuant to his employment. Section 512 is additive to existing bribery statutes which are applicable governmentwide and is in fact broader, since the Department of Justice has advised that "intent" is not an essential element of the crime.

In addition, existing ICA regulations concerning post-Government employment prohibit former ICA employees (1) from representing within 2 years after termination of their ICA employment any nongovernmental interest in any matter directly connected with their ICA employment and in which the United States is directly or indirectly interested, and (2) from discussing future employment with any person or organization outside the Government with which he is currently transacting business on behalf of ICA or who is affected by the performance of his official duties. ICA-financed contractors are presently being required to warrant

that they have not been a party to such discussions, and are further required to report to ICA any employment discussions with any ICA employees.

These measures are adequate to protect the public interest, and section 112 of the House bill which would punish the innocent as well as the guilty is unnecessary.

3. This provision if enacted would not only seriously lower the morale of present ICA employees because of the limitation on future employment occurring after they had accepted ICA employment, but would also have a serious detrimental effect on recruitment. Persons who would otherwise be willing to accept ICA employment would not wish to take the risk inherent in accepting a position with ICA in view of the special restriction applicable to them with respect to future employment. In addition, it would completely frustrate ICA's ability to employ experts and consultants for short-term assignments (3 months to a year) since (1) the expert would be barred from future employment on any basis for any purpose with a contractor currently doing business financed with mutual security funds, and (2) the possibility of obtaining such employment with a contractor who might wish at some future time to enter into a contract under the Mutual Security Act would be remote.

4. Since section 112 of the House bill applies to the use of any mutual security funds, it would have the anomalous effect of preventing the Defense Department, the Development Loan Fund, the Department of State, the Atomic Energy Commission, and many other agencies from using mutual security funds to enter into contracts with organizations which have former ICA personnel on their payrolls, although it would not prohibit these agencies from contracting with organizations which have former personnel of these agencies on their payrolls.

The provision would force contractors to fire former ICA employees who enter into employment with them in good faith prior to the introduction of the provision if such contractors wished to obtain a contract financed with mutual security funds.

The executive branch is of the view that ICA's current policies and practices adequately protect the interests of the U.S. Government and are fair to its employees and the business and university community generally. The adoption of the drastic measure proposed in section 112 of the House bill is neither reasonable nor warranted.

#### ANNEX B-9

#### FURNISHING OF ICA DOCUMENTS

##### THE HOUSE BILL

Section 113 of the House bill would prohibit the use of funds to carry out any provision of chapters II, III, or IV of the Mutual Security Act during any period when more than 20 days have elapsed between the request for, and the furnishing of, any material relating to the administration of such provision by ICA, to the GAO, or any committee or authorized subcommittee of the Congress.

##### EXECUTIVE BRANCH POSITION

The executive branch strongly opposes section 113 of the House bill, which is noteworthy for the extreme consequences it would produce and for the great harm it would make in the administration of the mutual security program, as well as for its unconstitutionality.

The provision is apparently designed to bear only upon the administration of ICA programs. Yet as written it would operate to cut off funds to programs which are not administered by the ICA at all, such as the Development Loan Fund and various programs administered by the Department of State. It is so worded that it would cut off funds in the event of an unanswered request regardless of the identity of the person or agency to which the request might have been addressed, regardless, for example, of whether that person or agency had any connection with the administration of an ICA program. It is so drafted that, once funds were cut off because of the passage of 20 days, the availability of funds would not be restored thereafter even if requested papers were subsequently made available. It would apparently have this drastic effect if 20 days elapsed with respect to one single paper, regardless of the reasons for which it might not be furnished within the specified 20 days. The provision gives no hint as to what authority shall decide whether a paper relates to the administration of any provision by ICA. One can only draw the inference that plenary power to make:

this determination, and to bring in train all the consequences of the provision, is entrusted to the sole judgment of the GAO or of a congressional committee or subcommittee.

The aspects of section 113 of the House bill, serious as they are, are of lesser significance than the clear invalidity of the proposed provision under the Constitution. The provision is apparently an effort to compel the President to deliver any paper requested as provided in section 534(b) of the Mutual Security Act of 1959. The President in signing this act stated that he did so on the express premise that that section and two somewhat similar provisions are not intended to alter and cannot alter the recognized constitutional duty and power of the Executive with respect to the disclosure of information, documents, and other materials. He added that any other construction of these amendments would raise grave constitutional questions under the historical separation-of-powers doctrine. This position taken by the President in regard to the provisions of the Mutual Security Act of 1959 of course applies with equal validity to section 113 of the House bill. The Congress is empowered to make appropriations; but the Congress cannot impose unconstitutional conditions upon the use of funds it appropriates. The President, in the exercise of his constitutional duties, is required to determine what papers in the possession of the executive branch may be made available consistent with the public interest. For the Congress to provide that appropriated funds shall not be used unless the President disregards his constitutional duty of controlling the papers of the executive branch so as to serve what he determines to be the public interest would be a clear infringement of his constitutional rights.

The constitutional duty of the President in controlling the papers of the executive branch has been exhaustively set out and established by the Attorney General. It was most recently affirmed by the President during his news conference of July 29, 1959. In commenting upon section 113 of the House bill, he stated the following:

"Now, with respect to the kind of amendment you were talking about, there was in 1954 I remember an Attorney General's opinion given to the effect that this kind of a movement or attempt on the part of Government is a direct invasion of Executive responsibility and authority and, therefore, could not be anything but unconstitutional.

"Now, I do not believe that this amendment in this form will even get to my desk because I believe that each branch of the Government must be respectful of the authorities and responsibilities of the others, if we are going to make this Government work. It has done so in the past and I don't believe that any branch is going to be so careless in this direction."

The President's strong opposition to this amendment as an encroachment on his constitutional duties does not mean that the executive branch desires to withhold information from the Congress or the American people. The executive branch is convinced that only if the people fully understand the program—its successes and its failures—will it receive the support it deserves. As the President said upon signing the Mutual Security Act of 1959 on July 24, 1959, "I am constrained to emphasize once again that it is established policy of the executive branch to provide the Congress and the public with the fullest possible information consistent with the public interest. This policy will continue to guide the executive branch in carrying out the mutual security program so that there may be a full understanding of the program and its vital importance to the national security."

## ANNEX B-10

### TECHNICAL CHANGES

#### THE HOUSE BILL

Although only the first of the three titles of the House bill makes appropriations for the mutual security program, the proviso in the paragraph appropriating funds for contributions to ICEM, the paragraph prior to the paragraph appropriating funds for the Department of State, and sections 102, 105, 106, and 107 make reference to "this act". In addition, although section 501 of the Mutual Security Act of 1959 consists of two subsections, of which only subsection (b) authorizes the use of contingency funds, section 110 of the House bill refers to section 501.

#### EXECUTIVE BRANCH POSITION

In order to avoid unnecessary problems of statutory construction and make clear the applicability of the relevant provisions it is urged that all the references

to "this act" be changed to "this title", and that the reference in section 110 to section 501 of the Mutual Security Act of 1959 be changed to a reference to section 501(b) of that act.

# ANNEX C-1

## INTERNATIONAL DEVELOPMENT ADVISORY BOARD

### HOUSE APPROPRIATIONS COMMITTEE REPORT

The report of the House Appropriations Committee specifically denies \$100,000 for the International Development Advisory Board (IDAB) requested as part of the appropriation for the Department of State.

### EXECUTIVE BRANCH POSITION

The executive branch opposes the denial of funds for IDAB. This board is created by section 308 of the Mutual Security Act as a means of bringing the wisdom and experience of highly qualified private citizens to bear on the economic aspects of the mutual security program and to provide advice to those administering the mutual security program. The function of IDAB was expressly considered and approved by the Congress during consideration of the Mutual Security Act of 1959. In view of this history, and in the absence of an express limitation in the Mutual Security Appropriation Act, 1960, the executive branch proposes to carry out the purpose of section 308 of the Mutual Security Act. Accordingly, the executive branch urges the Senate Appropriations Committee expressly to approve the \$100,000 requested for IDAB.

Pursuant to the Mutual Security Act of 1958, and in accordance with the recommendations of the conference report on that act, a new IDAB has been appointed, which differs from its predecessors in (1) composition, (2) responsibility, and (3) the nature of the tasks assigned to it by the Under Secretary of State.

1. Mr. Harry A. Bullis, former chairman of the board of General Mills, Inc., was given an interim appointment as Chairman of IDAB on August 28, 1958. After his appointment had been confirmed by the Senate on January 28, 1959, the President appointed 12 members of IDAB on February 3, 1959, and the new IDAB held its initial meetings on February 3-4, 1959.

The membership of the new IDAB is more widely representative, both geographically and functionally. Care has been taken to assure representation from broad fields of American economy and society (e.g., business, labor, agriculture, public health, science, education, publishing, and investment), in accordance with congressional suggestion. Executive Order No. 10803 of February 2, 1959, provides for staggered terms of membership in order to give IDAB the continuity required for effective operation.

The members of IDAB are as follows:

Henry A. Bullis, Minnesota, chairman, General Mills, Inc.  
 Allan B. Kline, Illinois, past president, American Farm Bureau.  
 Mrs. Olive Ann Beech, Kansas, president, Beech Aircraft Industry.  
 Harvey S. Firestone, Jr., Ohio, chairman, Firestone Tire & Rubber Co.  
 Edward S. Mason, Massachusetts, professor of economics.  
 Clark Kerr, California, University of California.  
 Lloyd A. Mashborn, California, general president, Wood, Wire, & Metal Lathers International Union.  
 Richard H. Amberg, Missouri, publisher, St. Louis Globe-Democrat.  
 Peyton Anderson, Georgia, publisher, Macon Telegraph and Macon News.  
 Leonard B. Jordan, Idaho, former Governor of Idaho.  
 Lowell T. Coggeshall, Illinois, dean, division of biological sciences, University of Chicago.  
 Edwin B. Fred, Wisconsin, president emeritus, University of Wisconsin.  
 Robert W. Purcell, New York, chairman, International Basic Economy Corp.

2. IDAB is now directly responsible to the Under Secretary of State, who acts as coordinator of the mutual security program, and works with him and with the Directors of ICA and DLF. It offers policy advice on the economic aspects of the mutual security program, including the operations of both DLF and ICA, with the purpose of making them more effective instruments in the implementation of total U.S. foreign policy. Specific assignments are now given to IDAB by the Under Secretary of State, and its recommendations and findings are submitted to him. Although, in some instances, he might decide to make them available to

the general public, outside the Congress and the executive branch, this is not the mission of IDAB.

3. IDAB is now working on a program of four topics assigned by the Under Secretary of State, and not merely with single assignments as in the past. In so doing, it is utilizing three subcommittees, one of which (public health) has an advisory group of outside specialists. The topics on which IDAB is working are as follows: (a) the first concerns the accumulation of local currency owned or controlled by the United States which involves a consideration of what changes in concept, policy, or law may be required to increase their utilization; (b) the second concerns the evaluation of the basic objectives of the technical assistance program and of its current operations. The fact finding process will be undertaken in conjunction with a State-ICA task force, while protecting the independence of IDAB as to conclusions and evaluations; (c) the third is to advise the Under Secretary of State as to steps which can be taken to fulfill recently expressed congressional wishes for increased information about the mutual security program, while at the same time, insuring that legislative provisions and congressional intent regarding propaganda are respected; and (d) the fourth is on U.S. activities in the field of international health under the mutual security program and their interrelation to other parts of the program, in the interest of a maximum productive balance.

#### ANNEX C-2

#### INVESTMENT INCENTIVE FUND

#### HOUSE APPROPRIATIONS COMMITTEE REPORT

The report of the House Appropriations Committee specifically denies \$5 million for the Investment Incentive Fund (IIF) requested as part of the appropriation for special assistance.

#### EXECUTIVE BRANCH POSITION

The executive branch opposes the denial of funds for IIF and, in the absence of an express limitation in the Mutual Security Appropriation Act, 1960, proposes to establish the fund. Accordingly, the executive branch urges the Senate Appropriations Committee expressly to approve the use of special assistance funds for IIF.

ICA for years has financed projects to encourage local and foreign private investment within regular country programs. The executive branch cannot believe that the Congress would not want ICA to increase its emphasis on the encouragement of private sources of local and foreign capital and know-how to participate more fully in the development progress.

The request for IIF within the special assistance category was designed to give new and greater emphasis to building up the private sector of the developing countries. The availability of the funds requested would provide an instrument for the U.S. Government to move quickly on emerging investment opportunities and would permit testing new techniques and programs for countries themselves to build on in future years.

This is not a program to increase the demand for U.S. Government aid. It is precisely the opposite. It is a program to energize local private capital and to improve the conditions and increase the opportunities for foreign private and local capital to do the jobs which public aid is increasingly being called on to do.

In many of the countries there is a discernible willingness on the part of the governments to exert greater efforts to encourage private investment. The United States should encourage these attitudes which have contributed so much to our strength as a nation.

The executive branch regards IIF as a means to translate the recent interest stimulated by the Straus Report, the congressional attention as evidenced in section 413 of the Mutual Security Act, and the current receptivity on the part of many developing countries into specific positive programs.

Prohibition of the establishment of IIF would—

(a) seriously cripple the ability of the U.S. Government to implement in fiscal year 1960 basic recommendations of the Straus Report—the study which was prepared specifically in response to the congressional directive in section 413(c) inserted in the Mutual Security Act in 1958;

(b) appear to cast doubt on the intent of the Congress which in this session strengthened section 413(c) of the Mutual Security Act to require annual updating of the studies of "ways and means in which the role of the private sector of the national economy can be more effectively utilized and protected in carrying out the purposes of this act \* \* \*";

(c) create confusion, if not doubt, in the minds of the peoples and governments of the developing countries as to whether the U.S. Government seriously considers the encouragement of private enterprise sufficiently important to justify using any foreign assistance funds to help these countries with such programs; and

(d) limit ICA's ability to institute and strengthen the kinds of local private enterprise programs in the developing countries responsive to the recommendation in the interim report of the House Foreign Affairs subcommittee, citing the need for local entrepreneurs to take initiative and responsibility for projects.

### ANNEX C-3

#### PARTICIPANT TRAINING UNDER TECHNICAL ASSISTANCE

##### HOUSE APPROPRIATIONS COMMITTEE REPORT

The report of the House Appropriations Committee directs that the number of foreign participants to be given training under technical assistance be reduced and that the average cost for participant trainees also be reduced.

##### EXECUTIVE BRANCH POSITION

The executive branch opposes the directive of the House Appropriations Committee and, in the absence of an express limitation in the Mutual Security Appropriation Act, 1960, intends to disregard it. Accordingly, the executive branch urges the Senate Appropriations Committee expressly to approve the planned participant training program.

From fiscal year 1960 technical assistance funds the executive branch plans to finance the training of 10,500 foreign technicians, an increase of 10 percent from 1959. The average of participant costs is estimated to average approximately \$5,000 per participant in training. These costs are made up, largely, of (1) tuition and other fees paid to the university or other training institution; (2) travel expenses; (3) reception, orientation, interpreter, and similar overhead services; and (4) a modest maintenance allowance to the foreign participant while in training (e.g., \$8 a day is allowed for living expenses while at a study location in the United States).

Participants are carefully selected by the United States and the cooperating country with the following factors in mind: (a) participant training must be directed at filling a gap in the skills available to do an important task; (b) the needed training cannot be given within the cooperating country as effectively; (c) participants must return to a specified job in which their training will be put to use; and (d) upon their return to their country, participants are expected to teach, lead, or assist others toward better performance.

This low-cost program, clearly a central element of technical assistance, has yielded, and is yielding, excellent results in helping alleviate or overcome some of the crucial skills shortages which handicap the successful development of public health, education, agriculture, and other key fields in the underdeveloped areas.

The participant training program also yields a byproduct of value, in that it gives thousands of actual and potential leaders of government, business, and the professions of the underdeveloped countries an exposure to the American system.

In sum, the executive branch believes that the participant training element of the technical assistance program is highly effective, makes a significant short- and long-run contribution both to development and to appreciation of America, is low in cost for the values received, and should be expanded in fiscal year 1960 as planned.



(See p. 126)

## Comparative statement of assistance to countries receiving both MSP grants under DS or SA and DLF loans

[In thousands of dollars]

|                        | Fiscal year 1957 |            |               | Fiscal year 1958 |               |            |               | Fiscal year 1959 |               |            |               |
|------------------------|------------------|------------|---------------|------------------|---------------|------------|---------------|------------------|---------------|------------|---------------|
|                        | Non-DLF loans    | MSP grants | Total MSP aid | MSP loans        |               | MSP grants | Total MSP aid | MSP loans        |               | MSP grants | Total MSP aid |
|                        |                  |            |               | DLF loans        | Non-DLF loans |            |               | DLF loans        | Non-DLF loans |            |               |
| Europe:                |                  |            |               |                  |               |            |               |                  |               |            |               |
| Spain.....             |                  | 62,953     | 62,953        |                  |               | 53,461     | 53,461        | 23,800           |               | 50,000     | 73,800        |
| Yugoslavia.....        | 13,500           |            | 13,500        |                  | 8,000         | 1,998      | 9,998         | 51,500           | 7,640         | 2,360      | 61,500        |
| Total, Europe.....     | 13,500           | 62,953     | 76,453        |                  | 8,000         | 55,459     | 63,459        | 75,300           | 7,640         | 52,360     | 135,300       |
| Africa:                |                  |            |               |                  |               |            |               |                  |               |            |               |
| Ethiopia.....          |                  | 6,600      | 6,600         |                  |               | 1,301      | 1,301         | 500              |               | 1,963      | 2,463         |
| Liberia.....           |                  |            |               |                  |               | 100        | 100           | 3,190            |               | 635        | 3,825         |
| Libya.....             | 3,500            | 13,080     | 16,580        | 5,000            |               | 15,000     | 20,000        |                  |               | 15,000     | 15,000        |
| Nigeria.....           |                  | 1,000      | 1,000         |                  |               |            |               | 800              |               |            | 800           |
| Somalia.....           |                  |            |               |                  |               | 400        | 400           | 2,000            |               | 680        | 2,680         |
| Sudan.....             |                  |            |               |                  |               |            |               | 10,000           |               | 19,500     | 29,500        |
| Tunisia.....           | 2,500            | 5,500      | 8,000         | 4,300            | 1,000         | 14,034     | 19,334        | 4,350            |               | 20,000     | 24,350        |
| Total, Africa.....     | 6,000            | 26,180     | 32,180        | 9,300            | 1,000         | 30,835     | 41,135        | 20,840           |               | 57,748     | 78,588        |
| Near East:             |                  |            |               |                  |               |            |               |                  |               |            |               |
| Greece.....            | 10,000           | 14,999     | 24,999        | 12,000           |               | 15,010     | 27,010        |                  |               | 20,000     | 30,000        |
| Iran.....              | 23,000           | 21,999     | 44,999        | 40,000           |               | 6,590      | 46,590        |                  |               | 3,000      | 40,700        |
| Israel.....            | 10,000           | 16,000     | 26,000        | 15,000           |               | 7,500      | 22,500        | 37,700           |               | 7,500      | 17,500        |
| Jordan.....            |                  | 20,000     | 20,000        |                  |               | 30,850     | 30,850        | 10,000           |               | 43,230     | 46,930        |
| Lebanon.....           |                  | 10,000     | 10,000        | 4,000            |               | 920        | 4,920         | 3,700            |               | 12,500     | 14,000        |
| Turkey.....            | 25,000           | 30,500     | 55,500        | 10,000           |               | 70,000     | 80,000        | 37,500           |               | 100,000    | 137,500       |
| Total, Near East.....  | 68,000           | 112,498    | 180,498       | 81,000           |               | 130,870    | 211,870       | 90,400           |               | 186,230    | 278,630       |
| South Asia:            |                  |            |               |                  |               |            |               |                  |               |            |               |
| Ceylon.....            | 2,500            | 2,500      | 5,000         | 3,250            |               |            | 3,250         |                  |               |            |               |
| India.....             | 47,500           | 15,000     | 62,500        | 75,000           |               |            | 75,000        | 120,000          |               |            | 120,000       |
| Pakistan.....          | 42,000           | 50,684     | 92,684        | 38,600           |               | 50,000     | 88,600        | 63,150           |               | 95,000     | 158,150       |
| Total, south Asia..... | 92,000           | 68,184     | 160,184       | 116,850          |               | 50,000     | 166,850       | 183,150          |               | 95,000     | 278,150       |

|                           |         |         |           |         |        |         |           |         |       |         |           |
|---------------------------|---------|---------|-----------|---------|--------|---------|-----------|---------|-------|---------|-----------|
| Far East:                 |         |         |           |         |        |         |           |         |       |         |           |
| Indonesia.....            | 717     | 4,000   | 4,717     |         |        | 8,455   | 8,455     | 9,000   |       | 1,200   | 10,200    |
| Korea.....                |         | 300,183 | 300,183   | 5,800   |        | 214,859 | 220,459   | 12,140  |       | 211,100 | 223,240   |
| Philippines.....          | 10,000  | 18,913  | 28,913    |         |        | 15,439  | 15,439    | 50,000  |       | 15,000  | 65,000    |
| Taiwan.....               | 20,000  | 60,000  | 80,000    | 27,886  |        | 56,997  | 84,883    | 11,600  |       | 70,479  | 82,079    |
| Thailand.....             | 10,000  | 20,000  | 30,000    | 1,750   | 7,000  | 13,107  | 21,857    | 20,750  |       | 20,000  | 40,750    |
| Vietnam.....              | 25,000  | 229,994 | 254,994   |         | 3,300  | 171,869 | 174,669   | 19,500  |       | 177,000 | 196,500   |
| Total, Far East.....      | 65,717  | 633,090 | 668,807   | 35,236  | 10,300 | 480,226 | 525,782   | 122,990 |       | 494,779 | 617,769   |
| Latin America:            |         |         |           |         |        |         |           |         |       |         |           |
| Bolivia.....              |         | 19,993  | 19,993    |         |        | 18,975  | 18,975    | 4,000   |       | 17,000  | 21,000    |
| Guatemala.....            |         | 15,280  | 15,280    |         |        | 10,000  | 10,000    | 5,400   |       | 18      | 5,418     |
| Haiti.....                |         | 1,010   | 1,010     |         |        | 2,000   | 2,000     | 4,300   |       | 5,500   | 9,800     |
| Uruguay.....              |         |         |           |         |        |         |           | 8,800   |       | 150     | 8,950     |
| Total, Latin America..... |         | 36,283  | 36,283    |         |        | 30,975  | 30,975    | 22,500  |       | 22,668  | 45,168    |
| Grand total.....          | 245,217 | 939,188 | 1,184,405 | 242,386 | 19,300 | 778,385 | 1,040,051 | 515,180 | 7,640 | 908,785 | 1,431,005 |

## COMMITTEE RECESS

Chairman HAYDEN. The committee will stand adjourned until 10:30 Monday morning.

(Whereupon, at 12:30 p.m., Friday, August 14, 1959, the committee adjourned to reconvene at 10:30 a.m., Monday, August 17, 1959.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

MONDAY, AUGUST 17, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden, chairman of the committee, presiding.

Present: Chairman Hayden, Senators Pastore, Monroney, and Dworshak.

## MUTUAL SECURITY

### FAR EAST

STATEMENTS OF HON. J. GRAHAM PARSONS, ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS; DR. RAYMOND T. MOYER, REGIONAL DIRECTOR, OFFICE OF FAR EASTERN OPERATIONS, INTERNATIONAL COOPERATION ADMINISTRATION, AND REAR ADM. EDWARD J. O'DONNELL, U.S. NAVY, DIRECTOR, FAR EAST REGION, OASD/ISA, DEPARTMENT OF DEFENSE, ACCOMPANIED BY J. E. MURPHY, INSPECTOR GENERAL AND COMPTROLLER, MUTUAL SECURITY; CLIFFORD C. MATLOCK, ECONOMIC SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY FOR FAR EASTERN AFFAIRS; ROBERT C. YOST, AID PROGRAMS ADVISER, BUREAU OF FAR EASTERN AFFAIRS; VINCENT SHERRY, PROGRAM OFFICER, DEPARTMENT OF STATE; WILLIAM J. KROSSNER, ACTING CHIEF, FAR EAST PROGRAM STAFF; C. HERBERT REES, PROGRAM OFFICER, OFFICE OF THE DEPUTY DIRECTOR FOR PROGRAM AND PLANNING; EDWARD F. TENNANT, ACTING ASSISTANT DEPUTY DIRECTOR-CONTROLLER, INTERNATIONAL COOPERATION ADMINISTRATION; CAPT. CHARLES WAYNE, U.S. NAVY, FAR EAST REGION, OASD/ISA; LT. COL. R. E. LYNN, U.S. AIR FORCE, FAR EAST REGION, OASD/ISA; CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY FOR MILITARY ASSISTANCE PROGRAMS, OASD/ISA; MARKLEY SHAW, COMPTROLLER, ISA, AND COL. VICTOR H. KING, U.S. AIR FORCE, DEFENSE COORDINATOR FOR MSP CONGRESSIONAL PRESENTATION, ISA, DEPARTMENT OF DEFENSE

### GENERAL STATEMENT

Chairman HAYDEN. The committee will please be in order.

The first witness this morning will be Hon. J. Graham Parsons, Assistant Secretary of State for Far Eastern Affairs.

Do you have a prepared statement?

Mr. PARSONS. Yes, sir.

Chairman HAYDEN. Do you wish to read all of it, or highlight it?

Mr. PARSONS. I would prefer to read it, if I may, sir.

Chairman HAYDEN. All right, you may proceed.

Mr. PARSONS. Mr. Chairman and members of the committee, I welcome the opportunity to place before this committee the urgent foreign policy considerations relating to the Far East which argue for appropriation of the full amount authorized by the Congress for the mutual security program in fiscal year 1960. The total authorization is itself sufficiently below the amount requested by the administration to be a real cause for concern in regard to the achievement of our important objective in this major area of the world. The House action in voting an appropriation substantially below the amount authorized would, if sustained, clearly reduce further the effectiveness of our aid program.

Given the character of these programs, it is unfortunately impossible to measure accurately each year the degree to which they have attained—or fallen short of attaining—their basic objectives. The cumulative damage to our foreign policy objectives in the political, military, and economic fields in the Far East from partial withdrawal of our support may therefore be irreparable by the time it is generally evident. Moreover, the political and psychological effects of such action in the Far East as a whole must be considered apart from the effect of the cuts on individual country programs. What is involved is our whole posture in the face of continuing Communist threats to free world security, and whether we have the fortitude and perseverance to meet these threats on a sustained basis.

#### EXCHANGE OF VISITS OF AMERICAN AND SOVIET LEADERS

A development which I am sure is uppermost in our minds today is the forthcoming exchange of visits between the American and Soviet leaders of government. The recent announcement of this exchange of visits ushers in a period of hope and yet a period of danger. It will be a period of hopeless danger if the free world starts abandoning tested policies before there is substantive justification for doing so. The purpose of these visits is to increase understanding of our positions and of our country and people. The mere fact of the visits should not cause us to conclude that somehow Communist objectives have changed or that issues between us have been settled. In other words, this is a time to maintain the strength of ourselves and our friends: an appearance of softness now would be as unproductive as it would be unjustified.

Perhaps there is no corner of the free world more directly dependent upon the United States for its continued freedom from Communist engulfment than the Far East. The Far Eastern countries are mostly relatively small and thinly distributed around the rim of the Sino-Soviet bloc. They are also, for the most part, countries which came into being since 1945. The resulting degree of dependence of these Far Eastern friends of ours on Western support means that they will be particularly susceptible to new winds that may blow across the globe.

#### EFFECT OF CUTBACK IN AID PROGRAMS

While most Far Eastern peoples welcome the forthcoming visits in the terms that we do too, they nevertheless seek and require reassur-

ance as to our constancy of purpose. If they think that we are now about to change our basic policies, or likely to cut back substantially on the aid programs they now depend upon for their continued free existence, then the situation could deteriorate rapidly.

Besides, I see nothing in our intelligence assessments of Communist designs and capabilities that would justify any cutbacks in current mutual security programs. There is no evidence of change in Communist objectives and Communist capabilities to pursue these objectives are likely to grow, at least in the near future, with the bloc powers' emphasis on developing armed forces which are better equipped and more mobile than those which they have today, and which even today are more numerous than those of the forces in the free Far East.

#### POSITION OF COMMUNIST CHINA

There is also every reason to assume that Communist China will remain firmly alined with its nuclear partner, the Soviet Union, which has on several recent occasions thrown the weight of its nuclear threats behind Chinese Communist actions. Since the Chinese Communists will enlarge their already formidable conventional military capability during the years ahead, the United States will have even more compelling reasons for helping to develop the capabilities and resources of its Far Eastern allies and other friends. I agree with those who forecast that Communist aggression is more and more likely to be posed in ways in which friendly Far Eastern forces, with their capabilities to cope with smaller warfare situations and to identify ambiguous aggressions, will be of increasing importance in complementing our capabilities and in maintaining the security of the Far East.

Aside from the question of whether or not we can expect Communist aggression in the next few years, any significant reduction in the relative strength of friendly as opposed to Communist forces in the Far East is bound to have an adverse impact upon the whole psychology of the free world position. It is true that our Far Eastern friends are determined to remain independent, but they simply are not going to be able to stand up against Communist pressures if they feel that the power of the free world is receding.

#### MAINTENANCE OF FAR EASTERN FORCES

The United States is helping to support the maintenance of Far Eastern forces numbering over 1½ million men who make up an essential and important component of the free world's total defenses. Most of these forces are to be found in the three countries which constitute major pressure points in the cold war—the Republic of Korea, the Republic of China, and the Republic of Vietnam—all three being the free parts of war-divided countries. Without our defense support assistance, however, the economies of these small countries, two of them recently ravaged by war, could not maintain current force levels with any degree of political or economic stability. Any marked reduction in defense support aid would precipitate either serious inflation or require the reduction of force levels, which we judge to be essential for free world needs.

## BATTLE TESTED TROOPS

I might add that among the armed forces of these Republics are many battle-tested troops, including those which have demonstrated such valor and skill in the fighting in the Taiwan Strait last year.

I stress these factors because they have a direct bearing on the problem now before this committee. I believe we should be well advised of the consequences of the excessive cuts proposed by the House action in the mutual security program—a program on which most of the friendly forces in the Far East in varying degree are dependent for their support and on which we all, Americans included, are dependent for our security.

## RETURN ON MUTUAL SECURITY INVESTMENT

Of course, there could be little justification for the appropriation year after year of such large amounts for our mutual security program if there were an inadequate return on our investment.

One way to measure this return is in terms of the security it has helped to achieve over the past decade. Contrast the wars, insurgency, and all the serious setbacks that characterized the Far Eastern scene up to and during the critical transformation period of 1950 to 1954 with what we see today, and I am sure you will agree that real progress has occurred. Overt Communist aggression has been checked in Korea and Indochina. Insurgency has been wiped out in the Philippines and almost entirely in Malaya. Impressive progress is being made in Burma in bringing the insurgency under control. How many would have predicted 5 years ago that a divided country like South Vietnam, torn by war and crowded with refugees from the north, could have achieved the kind of progress we see today? As for the small, strategically located Kingdom of Laos, it is a free independent country today, determined despite heavy pressures to resist further inroads of Communist aggression. The point I wish to stress is that, thanks in an important degree to our mutual security program, the free countries of the Far East have been able to maintain and consolidate their independence. It should be noted that no free territory in the Far East has been lost to communism in recent years.

## REVELATION OF TRUE NATURE OF COMMUNISM

Some years back, communism held a fairly wide appeal among Asian intellectuals and others who were unaware of communism's true aims and particularly of its methods. By now communism has been on display before Asians for a sufficiently long time that its true nature has become fully revealed to the comprehending. Several leaders of free Asia, who had previously thought that our analyses of communism were overdrawn and who hopefully believed that the Communist regimes would respond flexibly and favorably to concessions and gestures from the free world side, are now becoming convinced that these hopes were illusory. It has become more clear to many more Asians that the persistent fundamental motivation of the Communists is world domination whereas the motivation of the free world is exactly what they want for themselves, the preservation of their freedom and the opportunity to develop their countries in peace.

This reevaluation has been long in the making, but has been accelerated by such events as these which occurred in 1958 and 1959:

1. Communist China endeavored by severing all economic relations with Japan to intervene in Japan's 1958 election campaign with the object of defeating a government dedicated to a policy of trade and friendly relations with the United States and the free world generally. This was followed by Chinese Communist efforts, both political and economic, to destroy the Japanese trade position in southeast Asia.

2. In August 1958 Communist China resorted to the use of force in the Taiwan Strait, and during the process stated repeatedly that its two objectives were the liquidation of Taiwan and the departure of the United States from the Western Pacific.

3. The Peiping regime has organized the people of mainland China into communes in order to mobilize their physical and mental energies for the exclusive purposes of the regime. Never have so many millions of people been so ruthlessly regimented.

4. The brutal suppression of the Tibetan people, in disregard of previously given guarantees of Tibet's political, cultural, and religious autonomy, was a rude shock to the peoples of Asia who were obliged to draw the conclusion that a ruthless imperialism had taken root in Asia.

5. In Laos there exists the makings of a crisis brought about by Communist efforts to disrupt the progress being made by the new Lao Government in stabilizing the internal situation and in removing Communist influences.

These are among the events that have helped to open the eyes of free Asians to the true nature of the common danger they face. But there is a more fundamental explanation.

#### FORCE OF IDEA OF NATIONALISM

The most significant force in the Far East today is nationalism. This force acts against all those who are seen as trying to deny or to abridge the cherished independence those countries have achieved, most of them in recent years and some of them after long periods of struggle. It is understandable that the power of nationalism should have at first operated against the Western colonial powers and that that feeling should have obscured the dangers posed by the imperialists in Moscow and Peiping.

However, with every passing year Asians are coming to have a better appreciation of who are the real imperialists. Thus with the passage of time, nationalism is likely progressively to favor free world interests as opposed to those of communism.

#### ECONOMIC DEVELOPMENT A MAJOR FRONT

In this struggle between the free and Communist worlds, economic development has become a major front in the Far East. The newly sovereign countries still inexperienced in the art of national government face popular demand for accelerated economic growth. The rate of such growth is of major political concern in every underdeveloped Far Eastern country, with Communist sirens purveying Marxist solutions as being faster and better. Progress in development and some improvement in living standards have become indispensable to



political stability and to popular support of governments in power. The underdeveloped countries sorely need external capital to supplement their limited domestic resources for development. Some of them have even accepted loans and grants from the U.S.S.R. and Communist China who in recent years have adopted the technique of economic aid to gain political beachheads.

#### ROLE OF DEVELOPMENT LOAN FUND

The Development Loan Fund should therefore be supplied with adequate funds to play an effective role in helping to resolve this struggle favorably for the free world.

I do not want to minimize the many threats to the security of the Far East that persist as a result of the relentless pressures of the Soviet bloc; and I do not wish to obscure the fact that there are a number of extremely serious problems which we face in that part of the world. The point I do wish to stress, however, is that over the past 5 years, a notable stabilization of the situation has occurred, thanks in no small measure to the mutual security program. Security is being established; administration is improving; education is being widely extended; transport and communications systems are being developed; and the stage is otherwise being set for the kind of economic and social progress which these countries seek. Since the Communists do not wish to see the stabilization of a situation favorable to us, we must continue to have the resources available to counter disruptive actions by them.

It would seem to be singularly lacking in prudence if, after such rewarding expenditures of money and efforts, we were now to jeopardize the fruits of our labors through failure to give adequate and continuing support.

In short, we stand to lose so much through inadequate support of our current programs, and we stand to gain so much through adequate support, that there can be only one objective course of action. You can be sure that any vacuum left by our failure to provide adequate support will be quickly and willingly filled by the Communists.

#### ADEQUATE SUPPORT

I agree that the key word is the word "adequate." What is adequate support? In our opinion the funds requested this year by the administration represent the minimum necessary for the continuation of essential programs in the Far East.

It would in my opinion be prejudicial to the American position in the Far East to deny the material support appropriate to the purpose. Failure to restore the further cuts made by the House in its appropriations bill could well jeopardize our foreign policy objectives in the Far East and raise a question of American intent. In a role of free world leadership, we cannot afford to falter or appear reluctant to back our policy with our resources. The history of the past few years demonstrates, I believe, that the tenets of our Far Eastern policy are correct, and we should persevere in that policy.

Survival of the free world in the face of Communist imperialism will depend upon the continuity of our policy, adequacy of the means for its support, and perseverance in our chosen course of action.

Mr. Chairman, that completes my statement.

Chairman HAYDEN. I want to congratulate you, sir, on what appears to be a well reasoned and clear statement of the situation.

Mr. PARSONS. Thank you, Mr. Chairman.

Chairman HAYDEN. Do you have any questions?

Senator DWORSHAK. Mr. Chairman, I had planned to compliment Mr. Parsons on the very persuasive statement he has made. I certainly cannot agree with all his contentions and conclusions, but he has done a fine job.

I recall with interest that Mr. Parsons was Ambassador to Laos in 1956 when Senator Ellender and I visited that country. The visit was very brief, but you were most cooperative.

I think you were leaving about the same day for some conference in southeast Asia, but we were able to make some very interesting surveys and studies while we were there.

#### LONG-TERM PROBLEM

Mr. Parsons, I wonder if you are implying that we must assume the obligation or responsibility to carry on indefinitely our current financial burden in the southeast or face the likelihood that the Reds will move in. Do you think the real test or the criterion of the determination or objective of this country is that we must continue to provide the financial assistance indefinitely that we have for the past several years?

Mr. PARSONS. Senator, I think we are faced with a long-term problem there, a long-term problem in two senses:

First, that the Communists never relax their objective of world domination. If they do not succeed by one means today, they will try by another means tomorrow.

The current return to armed provocation in Laos is a case in point. So I think that from the standpoint of the persistence of the Communist efforts, we are going to have to maintain a vigorous counter-effort for as long as that threat persists and it will persist, I am afraid, for a long time.

Now, from the other point of view, I think that while there have been improvements in the free countries of the Far East, very real improvements, and while I think we can compliment some of our Far Eastern friends on the progress they have made in developing their institutions, and in general consolidating their countries, nevertheless, in a good many cases, they are far from having the dynamic self-sustaining economies, particularly in the divided countries, that they will need to have.

Senator DWORSHAK. They never will have, will they, Mr. Parsons.

Mr. PARSONS. I would like to think that they can succeed in the long run, but I am afraid in some cases it will be a long run.

#### RESISTANCE TO COMMUNIST AGGRESSION

Senator DWORSHAK. You made this comment:

It should be noted that no free territory in the Far East has been lost to communism in recent years.

Of course, that implies that we are building up military strengths in those areas which would resist and are resisting communistic aggression.

Having served as Ambassador to Laos, of course, you know that their military potential is extremely limited and if the Communists, Red China, wanted to move in tomorrow, they could probably do so and encounter little resistance from a military standpoint; is that right?

Mr. PARSONS. If I can presume upon my colleague's field, I would have to agree with you. A major aggression would, of course, overwhelm the army of Laos.

Senator DWORSHAK. It would not have to be very extensive, either. I am not minimizing the splendid job those people have done, and I am sure they are loyal to their own country and in a large sense to the free world.

#### DETERRENT TO ASSAULT ON LAOS

But unless the Red Chinese recognized that an assault on Laos would invite retaliation from the United States, they would have been in there a long time ago. Is that not also true?

Mr. PARSONS. There has to be a broader deterrent, I would thoroughly agree, and that broader deterrent is furnished in part by the Southeast Asia Treaty Organization, in which we and other countries are banded together and which covers Laos, Cambodia, and Vietnam in its protocol, also.

However, at the present time in Laos we are seeing a situation develop for which the Army of Laos exists actually. The Army of Laos is now trying to deal with the problem of incursions from alien territory and insurgency organized, we believe, by elements of the Vietminh, and we hope that the army will be successful in restoring internal security and order.

Senator DWORSHAK. Of course, when we had that trouble not too long ago in the Formosa Strait, we realized that the Chinese Nationalists were limited in the amount of resistance they could provide and we had to send our forces there. That emphasizes the point that while they do make a token resistance—and it is quite effective in a sense when you consider the limitations of their economic and human resources—at the same time the real test and the real responsibility sort of devolve upon the United States.

We should not overlook that. It is psychological; it is all part of the Eisenhower doctrine that is reflected in our agreements in that section that an attack on any nation will be construed as an attack upon the United States, and that, basically, is responsible, is it not, for the successful efforts we have had in the past few years to resist that aggression?

Mr. PARSONS. I believe that the posture of the United States and our willingness to stand up for our friends and to meet our treaty commitments is in very great degree responsible for our success, as you say.

Senator DWORSHAK. In doing that, I certainly do not want to underevaluate the contributions which those people make, but they are so limited in their human resources and their economic resources and everything, and, obviously, in their military readiness, too, that it is expecting a lot for them to stand up alone.

Mr. PARSONS. I agree it would be very difficult alone, and that is why it is necessary that they feel the United States is behind them and is also lending its support for the types of things that they can do.

## VALUE OF CHINESE NATIONALIST RESISTANCE

I think in the Taiwan Strait last year we had a demonstration of how valuable it was to have forces of that kind in being.

The Air Force of the Republic of China really made a remarkable record in the strait in the percentage of victories they had. I think that during the crisis they only lost 1 plane while downing 34 or 35 modern Russian-type planes.

The Chinese Navy and the Chinese soldiers on Quemoy met that situation with extraordinary endurance and resolution.

That was the type of situation in which the forces of our friends could be extremely useful; that is to say, a limited war situation.

Senator DWORSHAK. I hope, Mr. Parsons, that any reduction in the appropriations made for southeast Asia will not be construed as a lessening of our interest in the welfare of those free countries. I think that there should be a recognition on their part, also, that we have some limitations financially.

For instance, in the past fiscal year we had a deficit of \$12½ billion. So, obviously, we have considerations other than maintaining the maximum support that has been forthcoming from us for those areas in the past few years.

They must realize that, I hope, and certainly the people who are in the State Department and in ICA should not overlook their responsibility to impress that fact upon those people.

## ALLIED SUPPORT

Senator PASTORE. On that very point, may I ask a question of you, Mr. Parsons?

You brought up the question of the critical situation that we experienced a year ago in the Taiwan Strait. What accounts for the fact that we did not even get moral support from Great Britain and our allies in Western Europe with regard to our policy regarding Quemoy and Matsu?

I quite agree with you it was a stiff policy on the part of the United States that maybe did avert a very, very critical situation that might have developed into a shooting war.

But why did we not have at least the moral support of our chief allies in that part of the world? Why are we so far apart from them with relation to our activity in that part of the world?

Mr. PARSONS. Senator Pastore, I would like to answer that in two parts: First, on the record, and then, if I may briefly, off the record.

Senator PASTORE. You can keep it all off the record, but I know it caused some consternation on the part of many people in this country that we did not at least have moral support with reference to our position there.

Mr. PARSONS. I would like to begin on the record and say that I think our allies as well as ourselves were very deeply concerned as to the extent of the aggression planned by the Communist Chinese and which developed so suddenly.

I think also that the situation was made very much more difficult by the fact that the Communists did what they always do: they chose to launch their aggression in a place where the stakes seemed relatively inconsequential, and where perhaps it would appear to us

in the free world, and particularly to our friends who were afraid that they might get into trouble, that the risks were too great in relation to the stakes and that perhaps concessions could be very easily given, so that it was really not worth standing firm on the offshore islands.

They always choose a place that is most difficult from that particular standpoint.

However, I think as the crisis went along and as the Chinese Communist Defense Minister and other members of that regime's government kept on saying, "We don't really want the offshore islands by themselves; our objective is Taiwan and the liquidation of the American presence in the western Pacific," then I think that those of our friends who did not perhaps lend us their moral support in the beginning and who were very deeply concerned as to the possible consequences of our standing up in such an unfavorable situation, then I think they began to come around and there was generally a feeling on the part of our allies of hope that this strong resistance by the Chinese nationalists which we stood behind would be successful because they saw that the objective of the Chinese Communists was a much broader objective that would hurt the free world very badly if they succeeded in it.

Now, I would like to go off the record, if I may, for just a moment.

Chairman HAYDEN. You may.

(Discussion off the record.)

#### NEED FOR POLICY ENGENDERING ALLIED SUPPORT

Senator PASTORE. I followed your statement very, very closely, Mr. Parsons, and I agree with the chairman, it is very rational and is put in a fine chronological order.

The thing that disturbs me is this: If I understand the presentation you have made, the tone seems to be that while we recognize the primitive habits of these people and the fact that in case of a very serious situation they could not stand up without our help, that they would be very, very impotent in resisting the power of Red China or of Russia, you make the point—and it is a good point—that psychologically we have to keep them on our side, and unless we give them these arms and unless we give them this aid, technical and economic, that they will get the impression that they are being abandoned and for that reason they will be more susceptible to being swallowed by the other ideology.

That is the point you have developed here this morning. It has occurred to me if that is the case, then why do we not have an overall policy with reference to that part of the world that will give us at least the moral, if not the physical, assistance of our allies in Western Europe?

Why do they not understand these things as well as you have presented them here? They are very rational, they are very logical.

We are putting up the money, the arms, the economic aid, and the technical assistance and they are actually giving nothing.

But we would like to have some kind of unified statement to this effect that they agree with this policy and they would subscribe to this policy and they would fight for this policy.

I think that itself would give us the resistance that we need in that part of the world, but we seem to get too much of a flexible feeling on their part. They understand it now, but certainly it did not appear to the American public at the time we had the Taiwan situation that they were with us.

#### POLITICAL RELATIONS WITH COMMUNIST CHINA

Mr. PARSONS. Senator Pastore, let me reply by paraphrasing as best I can remember it, a little item that appeared in the Tokyo Asahi, the biggest newspaper in Japan, on, I think, the 12th of August.

Prime Minister Kishi had just returned from an extended tour in Europe and elsewhere and he was asked by the reporters, "What about your talks with Prime Minister Macmillan on the subject of China?"

According to the Asahi, Mr. Kishi replied, "Well, Mr. Macmillan told me that Great Britain had had political relations with Communist China since 1950, but they had no political negotiations with them," and that given the present attitude of Communist China, he, Mr. Macmillan, thought that free world countries should not have political dealings with Communist China.

Then Mr. Kishi—this is a very delicate subject in Japan—then Mr. Kishi said, "It appeared from what Mr. Macmillan said that his point of view and our point of view is very close."

#### SOME TYPES OF ALLIED SUPPORT PRESENT

Now, I think the implications of what Prime Minister Macmillan is reported to have said to Mr. Kishi indicates that there is a great deal of understanding, more perhaps than appears on the surface for the U.S. policy in that area.

We do have the primary responsibility, we are the only country with the major resources to devote there.

However, in other ways, we are getting support from some of our allies. The French in Laos, for instance, have been working very closely with us.

When I was in Laos the British were 100 percent with us time and time again when we faced difficult situations. They have also done a pretty good job in assuming responsibilities themselves in Malaya, for instance. That country started off its national life with certain advantages which none of the other former colonial powers had. I think in general it would be difficult to expect a major assumption of responsibility on the part of our friends in Europe who are much smaller and who have a great deal to contribute to our common problems on that continent and I believe are contributing to them.

I think the bulk of the burden is bound to be largely on our side in the Far East.

#### ALLIES' INTERESTS IN FAR EAST

Chairman HAYDEN. I should like to say this: That if Laos should come under Communist control, is not the next step Siam and then the Malayan Peninsula in which the British have enormous interests and which, of course, as far as the free world is concerned, has the only substantial source of tin and oil resources.

If they could take Malaya, the next step, of course, is Indonesia.

It seems to me that there should be a clear recognition of that fact, that if we stop them in Laos we stop them from any further extension of Communist control.

Senator PASTORE. Which is exactly the point. They have more physical propriety in that part of the world than we do. Ours is merely to maintain the ideology of freedom throughout the world and give people the self-determination that they want, as they choose it.

When you come down to the British they actually have economic interests there. Yet here we are, we pass resolutions here asserting our position with reference to the Middle East, we have a resolution with reference to what we are going to do with the Pescadores and there we are.

We are asserting that this is the line, you pass it and you are looking for trouble. Why cannot these people be made to understand that after all they have just as much of an interest there from a point of ideology and from a point of material propriety?

Why must we be assuming a little more than appears on the surface? That, to me, is a little specious.

I think that accounts for a lot of these cuts because a lot of the Members of Congress are beginning to get a little worried about this. Their policy seems to be playing both ends toward the middle. They figure, "Well, America is doing it all, they are spending the money. On the surface we appear to be very friendly with these people; we even go so far as to trade with them."

But underlying it all they like our position and they support our position, they never talk about it in open public; they may talk about it in closed chambers, the fact of the matter is that it strikes me when we had that terrible situation where you had every American mother in the country frightened a year ago, that there we were standing all by ourselves, we did not know exactly how they stood, maybe they were with us, but not as much as I understood they were or the Members of Congress understood they were.

It seems to me someone ought to be delving into this a little more.

If we had more of that we would have fewer cuts.

Senator DWORSHAK. I heartily concur in that statement, Senator Pastore.

Mr. PARSONS. May I just repeat that the British and the French have been members of SEATO with us and have the same obligations with respect to that treaty that we do.

Senator PASTORE. Yes, I realize that.

#### FAR EAST TELECOMMUNICATIONS PROJECT

Senator DWORSHAK. Mr. Parsons, I recall that not too long ago there was a lot of interest in the proposal to set up a recent telecommunications project in southeast Asia. What is the status of that? Can you tell us very briefly?

Mr. PARSONS. May I refer that to Dr. Moyer?

Mr. MOYER. Senator Dworshak, we are now at the stage of concluding definite arrangements for going ahead. The preliminary studies have been made.

On the basis of those studies a specific project has been defined. The actual work of construction and of getting the facilities into place

has just begun. A contracting firm has been selected and is moving forward.

It has been worked out on a regional basis among Thailand, Laos, and Vietnam so that the facilities set up are on the same wavelength and that sort of thing so that they will be arranged compatibly one country with another.

Also, this for the first time will make it possible for these countries to communicate with each other. In the past there have been cases, for instance, where cables from Thailand to Saigon have had to go through France in order to reach Saigon.

But we are just now at the point of beginning to get the thing actually under construction.

Senator DWORSHAK. This was conceived 4 or 5 years ago, was it not?

Mr. MOYER. It was not 5 years ago, but it was several years ago; yes, sir.

#### CAUSES OF DELAY ON PROJECT

Senator DWORSHAK. What has caused the delay? How much money has been spent already before you actually start construction?

Mr. MOYER. I would have to supply that for the record, Senator.

The principal money that has been spent so far has been for the original survey. We contracted with a firm to undertake a thorough study in all the countries and lay out a plan.

One of the causes of delay was the fact that when that study was made and reviewed, we were not entirely satisfied with all that was laid out in that study.

Senator DWORSHAK. What did that study cost us?

Mr. MOYER. That study—I will correct it for the record—but it was in the neighborhood of \$1 million, I believe. [The figure was \$1.1 million.]

Senator DWORSHAK. How long did it take to make that study?

Mr. MOYER. Again I will have to check and correct the record, but I believe it took between a year and 18 months.

Senator DWORSHAK. Then why was it rejected? By whom was it rejected?

Mr. MOYER. Let us put it this way: The plan was rejected in Washington after a study of it, but there is a good deal in it which is being used. Not all that they collected has been rejected. There is a good deal of value in that study.

#### FUNDS FOR TELECOMMUNICATIONS PROJECT

Senator DWORSHAK. Was the second survey initiated by some other company or group? What is the status of the other study?

I think, Dr. Moyer, you are inclined to be vague with these details. Tell us how much this whole thing is going to cost? Do you have any idea?

Mr. MOYER. Senator, I am vague——

Senator DWORSHAK. Do you have anybody on your staff who knows the details? We are criticized here, Mr. Parsons comes in and says it would be a tragedy to cut funds for some of these programs. Five years ago you initiated this extensive program in the Southeast and now we are asking something about it and you do not have the details.



I think we ought to cut all the money out until you people can come in here with something definite and specific and tell us what you are going to do with this money.

I deny that I have a role of Santa Claus here as a member of the Appropriations Committee. I have constituents back home who pay taxes and they are very critical of the way these programs are carried on.

This is a forerunner of the questions I would like to ask you, Mr. Parsons, about all these scandals, waste, and corruption we hear about. I do not accept them as being actual and truthful, but there must be something to it or else we would not be receiving all this criticism.

That is the reason that I do not accept the theory that we continue to dole out millions and millions without asking what is being done. I think we have the responsibility, I have, as a member of this committee.

Mr. MOYER. May I say one word on that?

We fully agree with what you have said about the need to know the details. I am not familiar with all the projects in detail. I shall be glad to supply them. I will say this:

The very fact that we held up proceeding with this project is one indication that we desired to be absolutely sure of our ground. The reason we did not proceed fully on the basis of the first survey was because when it was completed we were not entirely satisfied. We did not go ahead spending the money.

We spent the money for that particular contract and a good deal of it will still be useful, but we did not proceed with the rest of it until we felt satisfied that we had a satisfactory plan.

Senator DWORSHAK. What is the total cost estimated at this time, or have you not gone far enough in the preparation of plans so that you know what it is going to cost?

Mr. MOYER. We probably do not have a completely accurate cost. The present study will define that. I shall be glad to put in the record the best estimate that we have at the present time.

Senator DWORSHAK. I wish you would submit a brief report on what has been done and how much has been spent and what you will be asking for.

How much money is allocated in this budget for 1960 for this project?

Mr. MOYER. There is no money allocated in the 1960 budget for this project. This came for the most part, Senator, from that regional fund which is called the President's Fund for Asian Economic Development. This is a regional project and there is no money in the 1960 budget for that project.

Senator DWORSHAK. It is still part of the ICA budget, though. The President merely is given supervision of making the allocations.

Mr. MOYER. It is part of the general economic aid program; yes, sir. (The information requested appears on p. 776.)

#### SCANDALS IN FAR EAST

Senator DWORSHAK. How about these scandals? Are you on top of them, Mr. Parsons? You are probably as well acquainted with conditions in southeast Asia as anyone in the State Department. What is your understanding at the present time? Do you think that

the charges have been unjustified, or has there been a great deal of difficulty in handling the ICA program in southeast Asia?

Mr. PARSONS. Senator Dworshak, I think we would be very foolish in the executive branch if we were to claim that there never had been mistakes and that there never had been maladministration to some degree at least in some of these programs. However, I think we are on top of these situations.

I think we have to claim, also, that we are dealing with very extraordinary situations such as you, yourself, saw in Laos.

I testified last year that in that place when we began our direct aid we were dealing with a country with, for example, no railroads, practically no telephones, no industry, and exports less than \$500,000 a year; also almost no trained personnel. The only engineer in the whole country at that time was the present Prime Minister. There was only one fully qualified doctor, and so on.

Senator DWORSHAK. What is the total population? Only a couple million?

Mr. PARSONS. We think it is between 2 and 2½ million, but there has never been a national census.

Senator DWORSHAK. That would be a good project for ICA to carry that on for 5 or 10 years.

#### DEVALUATION OF CURRENCY IN LAOS

Mr. PARSONS. Let me tell you that we are indeed trying to get on top of all these situations. I will tell you of a concrete development in Laos.

Last year members of this committee and of other committees were very much concerned about the disparity between the official exchange rate of 35 to 1, and the free market rate outside in Bangkok and Hong Kong. That is a situation that first began to worry me in the fall of 1956.

It is not easy to come to a devaluation, the Government has to come to that decision itself. Outside invasion of sovereignty in a matter as intimate as that is, would not be appreciated.

Senator DWORSHAK. It would not be difficult, Mr. Parsons, if we were receiving the degree of cooperation that we deserved from those countries that are receiving these large sums. You agree with me?

I know there are diplomatic problems involved, and we have to move slowly and we cannot upset sovereignty and all that. I have heard those answers.

Now, have they pretty well corrected that situation in Laos?

Mr. PARSONS. They are correcting that. We have a new exchange rate of 80 to 1. That is the rate which prevails not only within Laos, but outside. That has removed the incentive for a number of the abuses which this committee and other committees complained about, and very justly complained about, and which worried us tremendously, too.

This was accomplished in the face of aid offers from Communist China and the Soviet Union, in the face of a continuing local war at that time; in the face of all sorts of incentives that might have led the Government of Laos to say "Never mind, you Americans, we can go some place else."

Senator DWORSHAK. I do not think the Communists would have been as easy with them as we were. I think they were aware of that, too.

Mr. PARSONS. I think they were aware of that. I think also that there was sincerity and fidelity to free world principles and ideas on the part of their responsible leaders.

Senator DWORSHAK. Yes, and I think that the people of Laos are appreciative of what we have done. I concede that.

#### PROGRAM IN VIETNAM

Mr. PARSONS. The other program concerning which there has been recent complaint is, of course, the Vietnamese program. I have been absent from the country the last few days. I was up in Canada. So I don't know exactly how the hearings before the committee of Senator Mansfield wound up.

However, I did read in the newspaper that Congressman Zablocki, who held parallel hearings, had held that the charges there were unjustified and not warranted.

So both on the basis of Congressman Zablocki's findings and on the basis of what we know about that program, I am convinced that the charges were very much exaggerated.

I think the program in Vietnam was an exceptionally good and well administered program.

Senator DWORSHAK. I have had that opinion although I don't know all about the details and the policies involved or inflation or the exchange policy or anything like that.

But when a newspaperman, Mr. Colgrove, representing a reputable chain of papers, makes the charges that were made recently after a visit to that country, it seems to me that is a challenge to the Congress and to the Appropriations Committee.

I do not want to belabor that, but when you talk about the reactions of Congress in being parsimonious and in cutting down, that we may jeopardize continued friendly relations with those countries if we do cut down appropriations, the other side of the coin indicates that we have not had the proper administration or we would not have all of this criticism.

Certainly people who administer programs involving the expenditure of millions of dollars ought to be above reproach and ought to recognize that they are expected to handle these funds in a business-like manner and not be subjected to all of these charges.

We do not hear a lot of those charges in many other countries, so there must be something to it.

I shall not take any more time, Mr. Chairman.

Mr. PARSONS. May I just say that we will be only too happy to put some of the specific answers on the Vietnam program which were given before other committees on the record, if your committee would like to have that, Mr. Chairman.

Senator DWORSHAK. I do not think they should be too lengthy. If they are contained in hearings before Senator Mansfield's committee, I do not think that it is necessary here.

But substantially I think you ought to make an effort to give us a few of the facts so that we will know what the score is.

That is all, Mr. Chairman.

(The information requested appears on p. 777.)

## CHARGES AGAINST VIETNAMESE PROGRAM

Mr. PARSONS. Perhaps at this time in regard to the Vietnam program, I will say only one or two things.

First of all, these charges were made by the representative of a reputable newspaper chain, but when he was in Vietnam he did not go to see the Director of the aid mission, nor did he go to see the comptroller of the aid mission who is responsible for how the funds were spent, and he never bothered to check with the Ambassador, either, after his initial conversation with him when he first arrived.

Every specific allegation that he made was specifically answered in those other hearings.

Senator DWORSHAK. I presume that will be one of the first tasks assigned to the new Inspector General. I hope he gets back by the time we hold hearings next year.

Chairman HAYDEN. If you have concluded your statement, we will now hear from Mr. Moyer.

Mr. MOYER. Mr. Chairman, would you like me to read my statement?

Chairman HAYDEN. Yes.

Mr. MOYER. Mr. Chairman, and members of the committee, I appreciate having an opportunity to present to this committee a statement on the proposals for economic and technical assistance to Far East countries in fiscal year 1960.

In section 2 of the Mutual Security Act of 1959, it is stated that programs of assistance authorized by this act and its predecessors have—

\* \* \* helped thwart Communist intimidation in many countries of the world \* \* \* supported defensive military preparations of nations alerted by Communist aggression, and \* \* \* soundly begun to help peoples of economically underdeveloped areas to develop their resources and improve their living standards.

I wish to emphasize the imperative need for the full amount authorized by the Congress to continue programs carrying out these purposes.

## FUNDS FOR VARIETY OF PROBLEMS

The assistance requested is to provide for the large programs in Korea, China (Taiwan), and Vietnam, where help is given in meeting a wide variety of problems in many segments of the economy, enabling these countries to support their military forces without serious economic consequences.

It provides for economic assistance on a smaller scale, also supporting a military effort, in Cambodia, Laos, the Philippines, and Thailand.

In Japan the assistance is for the relatively small, but very important productivity program.

In Indonesia the program is mainly one of technical cooperation, supplemented with some special assistance to develop human resources and strengthen important public services.

For Burma, loan aid under special assistance is requested to help that country resolve certain of its major problems.

## AMOUNTS REQUESTED

The executive branch requested \$593.4 million in economic and technical assistance for these purposes in the Far East countries in

fiscal year 1960. Of this amount, about 93.2 percent, or \$553 million, was proposed for defense support.

For technical cooperation, \$36.7 million was proposed.

The balance of \$3.7 million was requested in special assistance.

#### USE OF FUNDS REQUESTED

The detailed justification for these funds requested for fiscal year 1960 is set forth in the presentation book. The requests were carefully considered in terms of the situation that prevails in each of the countries. A brief summary of these requests may be helpful.

Taking first the \$553 million defense support component of the proposed assistance in the Far East, \$437.3 million, or almost 80 percent, was planned to be used in the form of nonproject aid. Of this amount \$101 million was expected to be used for surplus agricultural commodities under section 402 of the Mutual Security Act.

Other agricultural products, also included, brought the amount for such commodities to about one-third of the total nonproject aid.

Capital items, bought by private interests and used in improving and expanding local private industrial enterprises, were expected to account for another \$68 million.

The balance, representing approximately 50 percent of the total, was to be used for industrial raw materials, fuels, and consumption goods.

Somewhat more than half of the local currencies generated by the sale of these commodity imports was expected to be used for direct support of the military effort; the balance was to be used for economic purposes.

#### PROJECT AID UNDER DEFENSE SUPPORT

For project aid under defense support, the amount proposed was \$115.7 million. This is approximately the amount made available for defense support projects in fiscal year 1959, but it is about \$100 million less than the amount of such assistance provided on an average for the 3-year period ending fiscal year 1958.

The proposed \$115.7 million for fiscal year 1960 was intended to help these countries, which are also receiving U.S. military assistance, to make the economic and social progress required to continue their contribution to the common defense and meet the requirements of their growing populations.

External assistance required for economic growth beyond this minimum amount is expected to come from the development loan fund or other sources.

Of this \$115.7 million, close to 40 percent was planned for projects in transportation, significant both from military and economic standpoints.

Projects expanding electric power, generation and distribution, also were expected to receive a substantial share. The remaining funds were to be devoted largely to projects in such fields as agriculture, health, education, community development, and public administration, aimed at helping to create the internal environment essential to the maintenance of security on a sustained basis.

The \$36.7 million recommended for technical cooperation was \$4.3 million above the amount shown as available in fiscal year 1959.

Of the \$36.7 million total, \$27.1 million was planned for countries which also are receiving defense support aid.

The remaining \$9.6 million was for Indonesia, Japan, and intra-regional activities, including support for the Tokyo International Training Center and the Hawaii Training Center.

Approximately 35 percent of these funds was planned for projects in agriculture, industry, and mining, to help expand production, raise productivity, and improve management and processing techniques.

Transportation projects accounted for an additional 5 percent.

Twenty percent was planned for assistance in improving curriculum and teaching methods to strengthen basic, vocational, and professional education.

Emphasizing the importance of improving government planning and administration, approximately 13 percent of the total technical assistance was proposed for public administration projects.

Health and sanitation, community development, social welfare, and housing, and projects which span more than one field of activity, accounted for the remaining 27 percent.

#### SPECIAL ASSISTANCE

The \$3.7 million in special assistance was planned to provide financial help to special programs in two countries. About half of this amount was programed for transportation and communications equipment for internal security forces.

Other projects provide for improvement of educational facilities, and for engineering and management advisory services to help prepare plans for high priority development projects, particularly those suitable for financing by private capital.

The \$3.7 million request did not take into account the balance of \$2.3 million still to be provided under a \$25 million line of credit extended in fiscal year 1957 to Burma, nor did it take into consideration the requirement of from \$10 million to \$15 million which also should be made available this year for the road construction project for which aid was promised late in fiscal year 1959.

These additional funding requirements for Burma will have to be met from the contingency fund.

#### MAJOR ADJUSTMENTS REQUIRED UNDER AMOUNTS AUTHORIZED

Reductions in the administration's requests to the amounts as now authorized under the Mutual Security Act of 1959 will require some major difficult adjustments in these programs.

In the case of Korea, for example, it is expected to mean the elimination of most of the aid to defense support projects, through which we have been helping to maintain economic growth at a rate fast enough to keep pace with its growing population and enable Korea eventually to meet a somewhat larger share of its economic needs from its own production and earnings.

Moreover, with its limited capacity to service any sizable debt, Korea is unable soundly to meet this part of its need for capital investments in loans from alternative sources.

Any substantial reduction in nonproject assistance would entail a serious risk of losing the hard won gains in price stability which have

been achieved during recent years after great effort and cost on the part of both the United States and the Government of Korea.

For Cambodia, the effect of this cut in requested funds will be to limit our assistance primarily to saleable commodities imported to help maintain economic stability and provide for the country's military forces. This would mean elimination of a large part of the financial assistance planned for projects in agriculture, education, and health, by means of which we have been helping the Government of Cambodia demonstrate its desire to meet the needs of its people through orderly development.

#### PROBLEMS IN PHILIPPINES

In the Philippines, the reduction in funds to the authorized level necessitates a choice between—

1. The virtual elimination of our assistance to the relatively small program designed to aid education and improve conditions in rural areas, providing a sounder base for internal stability, or
2. A substantial reduction in the amount planned for local currency support of essential military construction projects, of interest both to the Philippines and the United States.

Indeed, recent estimates of requirements for these military construction projects indicate that \$2.6 million equivalent more than the amount stated in the presentation book may be needed.

Not to supply what is needed would affect adversely the preparedness of the Philippines and weaken a vital link in the chain of the free world defense system in the Pacific.

#### EFFECT IN VIETNAM OF FUNDS CUT

In Vietnam, it is estimated that the cut in funds to the authorized level will reduce financing for defense support projects by more than 40 percent, practically eliminating assistance to activities in agriculture industry, and education, and drastically reducing assistance for public health activities, highway construction, and aeronautical ground facilities.

These reductions, affecting activities which are necessary to economic progress, would inevitably also affect internal security, because they bear on the welfare of the people and are one of the most effective means of combating virulent Communist propaganda from North Vietnam telling of progress under communism. The need to help maintain Vietnam's military forces makes impossible a deep cut in nonproject assistance.

These are examples. The effects of cuts in aid levels of other countries in the region will be similar. Original estimates of aid for these programs took into account the assistance expected to be available under the Development Loan Fund, Public Law 480, and other external sources.

In making these estimates it was assumed that the maximum amount of the total requirement which could be provided under Public Law 480 would be so provided, so that no prospect is seen of compensating for cuts in defense support from that source.

With respect to the Development Loan Fund, the full amounts which it is hoped might be made available to these countries of the Far East in fiscal year 1960 still would not meet the needs for projects in public works, military construction, and other similar activities for which

defense support funds were requested, and which, we believe, should be provided on a grant basis in view of the inadequacy of their resources to meet both military and essential civilian needs.

It should be emphasized, on the other hand, that adequate assistance under the Development Loan Fund is extremely important to help these countries meet the need for development beyond the point possible with assistance under defense support.

#### ACCOMPLISHMENTS, PROGRESS, AND PROBLEMS

Criticisms which have been voiced regarding certain parts of the mutual security program tend to obscure the accomplishments which, I firmly believe, are far more characteristic of these programs than the deficiencies which have received so much attention. A few examples will serve to illustrate the accomplishments and progress made under the aid programs in Far Eastern countries.

During the past 9 years, the efforts of the free Chinese assisted by sustained and substantial economic help from the United States, have brought about a tremendous change in Taiwan. Notwithstanding the heavy military demands on Taiwan's limited resources, marked gains have been achieved. The gross national product—GNP—has expanded 85 percent, or 40 percent on a per capita basis, despite a 30-percent increase in population.

In the period 1952–58, export earnings increased 37 percent, while Government revenues at constant prices rose 85 percent. Relative price stability has also been achieved, with the wholesale price index rising only about 2 percent in 1958 compared with 90 percent in 1950.

This progress has been a significant factor behind the internal economic and political stability that has characterized Taiwan over the past year, despite Communist attacks on Quemoy and threats to Taiwan itself.

With the help of large amounts of aid provided by the United States, Korea now has succeeded in restoring most of the facilities that were severely damaged during the recent conflict and is making progress in expanding its productive capacity and output.

Transportation and communications facilities have been rebuilt and improved. The strong military establishment has been maintained without serious adverse effect on the economy. Steady progress is being made in strengthening government services and in developing the institutions to help Korea make effective use of its resources and lay foundations for its future economic development.

Relative price stability, achieved in 1957 after years of serious inflation, has been maintained although inflationary pressures are still present.

The production of electric power and certain basic commodities, such as coal and cement, has been expanding steadily.

Total agricultural production has also increased, although per capita output is still below the prewar average.

#### KOREAN PROGRESS

The growing maturity of the Korean Government is evidenced in the efforts it has made to use its resources effectively and to maintain financial stability, that have been such an important factor in the success attained in controlling inflation.



Aided by the advisory services of a U.S. tax consultant, Korea has taken steps to modernize the administration of its revenue system. The special excise tax on foreign exchange transactions, enacted into legislation about a year ago, is expected by the Korean Government to result in an increase equivalent to \$20 million in tax collections this year.

Additional steps to improve the tax system and further increase revenues are now under study.

#### IMPROVEMENT IN VIETNAM

Progress made by Vietnam, with the help of the aid programs, is seen in the economic and financial stability which the country has maintained in the face of the heavy spending necessary to repair damage caused by the war, and in meeting the recurrent local currency costs of the security forces being strengthened with military assistance to resist the constant threat from the Communist enemy to the north.

Another important element in the progress of Vietnam is in the foundations that have been laid for longer range development. Transportation facilities have been improved and expanded, and noteworthy progress has been made in increasing the number of trained personnel. Problems are approached with ever-increasing confidence and maturity.

#### ECONOMIC ASSISTANCE IN CAMBODIA

Cambodia is another good example of the way in which economic assistance under the mutual security program has been used effectively in accomplishing its intended purpose. When Cambodia achieved national independence late in 1954, its economy was weak and disorganized and its government ill-prepared to cope with the multitude of problems endangering its survival. High Cambodian leaders have acknowledged in public statements that U.S. aid during the past 5 years has constituted a vital supplement to Cambodia's own resources in the country's efforts to maintain and strengthen its independence.

With substantial U.S. aid, defense support in combination with technical cooperation, Cambodia has made marked progress in building the foundation for a more secure economic future.

The important highway from the capital, Phnom Penh, to a port on the Gulf of Siam, is now completed, and additional basic transportation facilities have been built, serving both security and economic purposes.

Agricultural projects, aimed at higher productivity and diversification of the essentially two-crop agricultural economy, are helping Cambodia expand its economic base.

The rural Cambodians are also benefiting from projects establishing public health and education facilities. For example, U.S. assistance has been given to an extremely significant primary teacher-training center, and U.S. educational specialists are helping to develop the curriculum which will be taught in the expanding public school system.

Although progress along lines such as these is encouraging, formidable problems remain to be solved. Take Vietnam as an example. For its fiscal year 1958, total estimated expenditure of the Govt 1-

ment for military and other purposes, excluding U.S. aid, exceeded by almost 85 percent its total estimated revenues. Defense expenditures alone would have utilized approximately 70 percent of Vietnam's domestic revenues if fully met from that resource alone.

#### AID IN TAIWAN

In Taiwan, the Government has been spending for defense purposes approximately 60 percent of its total revenues from all sources, including U.S. aid. It has had annually over the past several years a trade gap in the neighborhood of \$90 million.

In most of the countries of the Far East which are receiving economic and technical assistance, the total GNP is steadily increasing, but still does not exceed the equivalent of \$100 annually on per capita basis, and in Burma, Laos, and Cambodia, the average is about one-half of this amount.

Serious problems, therefore, exist in the lack of financial resources sufficient to move forward with economic development at a rate which will provide employment for growing populations and meet the danger from Communist propaganda promising better conditions and more rapid progress in economic development under communism.

Technical and managerial skills need to be developed in order to make possible a more effective use of resources, human, material, and financial.

#### PROGRAM ADMINISTRATION

Considerable attention has been devoted over the past year to improving the administration of aid programs.

In accordance with the provisions of section 517 of the Mutual Security Act, engineering, financial and other plans and a reasonably firm cost estimate now are developed before funds are obligated for specific projects.

Steps are being taken to make certain that ICA missions and participating country governments come fully to grips with all the problems involved in projects that may be proposed, and new procedures are being developed to accomplish this.

Extensive audits are made to assure compliance with statutory and administrative provisions regarding the use of aid funds. Refund actions are taken if transactions do not comply with established standards.

The new post of inspector general in the office of Under Secretary of State, provided for in this year's legislation, has already been established and may be expected to make an important contribution toward the further tightening of financial and other controls.

Improvements such as these, in the planning and administration of aid programs, provide reason to expect that the funds made available for the current year will be used effectively to provide continued assistance to these countries in their struggle against the many hindrances to their development and efforts of the communists to deprive them of their freedom and human dignity.

Chairman HAYDEN. Unless there are some questions this will bring today's hearing to a close.

Other statements will be included in the record.

There are some very important matters pending before the Senate.

## DEVELOPMENTS IN JAPAN

Senator DWORSHAK. Could I take a couple of minutes to inquire about developments in Japan, Mr. Chairman?

I note on page 69 the budget for 1960 has about ——— dollars for military aid. Is that correct?

(Discussion off the record.)

Senator DWORSHAK. This chart says ———. I know this is highly classified information, but it seems to me we should have some indication of what this money is to be used for.

Can you tell us?

Admiral O'DONNELL. Yes, sir.

(Discussion off the record.)

Senator DWORSHAK. How much of that equipment will be constructed in Japan?

Admiral O'DONNELL. Only a small portion.

Senator DWORSHAK. The remainder will come from this country?

Admiral O'DONNELL. Yes, sir.

Senator DWORSHAK. Is the primary objective of this military assistance program to encourage Japan to become more reliable and more self-sufficient, you might say, in developing her own aircraft?

Admiral O'DONNELL. Very much so.

(Discussion off the record.)

Admiral O'DONNELL. I think this is one where in the relatively near future they will be self-sustaining.

Senator DWORSHAK. We have withdrawn most of our military personnel?

Admiral O'DONNELL. We have indeed.

During the past year the Japanese ground forces took over the responsibility for the defense of Japan. We have about 3,000 Army troops left in Japan, but they are service types and administer some of the logistic functions.

Senator DWORSHAK. Are we operating any airbases there now?

Admiral O'DONNELL. Yes, sir.

Senator DWORSHAK. Our own bases?

Admiral O'DONNELL. Yes, sir.

Senator DWORSHAK. That is all.

## PUBLIC LAW 480 ASSISTANCE

Dr. Moyer, in your statement you said that of the total amount of \$553 million allocated for southeast Asia \$101 million was expected to be used for surplus agricultural commodities under section 402 of the Mutual Security Act. In addition to that do you not have a large amount of Public Law 480 assistance?

Mr. MOYER. There is for the area as a whole.

Senator DWORSHAK. What is the total figure?

Mr. MOYER. In 1958, which is an absolutely firm figure, it was around \$92.2 million.

In 1959, the latest figure I have here, is as of the 20th of April, and it was then estimated that the amount for the region as a whole would be \$114.2 million. That included a very large amount, \$40 million, for Indonesia.

Senator DWORSHAK. What products are used generally? Wheat or rice?

Mr. MOYER. Cotton is an important one. Cotton, wheat, and rice, I believe, would be the three major ones. Some tobacco is required in the Far East and other surplus agricultural products to a more limited extent.

## COUNTERPART FUNDS

Senator DWORSHAK. Are we accumulating any counterpart currencies in any of those countries?

Mr. MOYER. We have counterpart accumulations, but as of now, not excessive amounts, not amounts that worry us.

What will happen, for instance, with the returns on these Public Law 480 and repayments of DLF loans, I personally feel is another matter. But so far there are not major accumulations.

Senator DWORSHAK. You have spent them as rapidly as you have been able to get them?

Mr. MOYER. Yes, sir; with a reasonable carryover that we have to have each year.

Senator DWORSHAK. With this large amount of Public Law 480 help, though, you are bound to pile up quite a few accumulations in some of those countries.

Mr. MOYER. There is that danger.

In Japan where we have had one of the largest Public Law 480 programs, they have been utilizing the local currency proceeds.

Senator DWORSHAK. What do they utilize it for, Dr. Moyer?

Mr. MOYER. The larger proportion of it was loaned to Japan for various economic projects.

Senator DWORSHAK. None of that goes for military aid, does it?

Mr. MOYER. None of that in Japan. In Korea a very large part of it goes for military aid.

Senator DWORSHAK. That is all.

## PREPARED STATEMENT

Senator MONRONEY (presiding). The committee will stand in recess until 10:30 in the morning. Those who have statements will turn them in for the record.

(The statement referred to follows:)

STATEMENT OF REAR ADM. E. J. O'DONNELL, USN, DIRECTOR, FAR EAST REGION,  
OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL  
SECURITY AFFAIRS

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to urge adequate funds for the fiscal year 1960 military assistance program in the Far East.

Today I should like to concentrate my remarks on one aspect of our mutual security program in the Far East region. In essence, we have created a significant military asset which constitutes a strategic deterrent to conventional war in the area. Our friends in Asia have almost 2 million men under arms who are loyal to the aims of the free world. I know that I speak for Admiral Felt, the commander in chief, Pacific, when I say that the maintenance of the material and moral qualities of these forces is a matter of grave importance to the security of the United States. These military assistance created and supported forces are real forces in being which act as a counterpoise to the large Communist armed forces in Asia.

All responsible professional assessments of the qualities of these forces of our Asiatic allies stress the fighting spirit, and the operational, tactical, and combat skills. Many of them are still weak in supply and logistics functions but constant improvement is being made under the guidance of our military assistance groups.

We read frequently about the concern expressed by members of this body as well as by other thinking citizens of this country about our capacity to fight a conventional or limited war. Our friends in the Far East are anxious to help us provide this capacity for conventional war. The sums that were originally asked for will maintain strong strategic deterrents on an austere basis.

I should like to stress again the quality of these forces. About a year ago the Nationalist Chinese demonstrated fighting qualities and combat discipline that made their armed forces a source of pride and greatly enhanced morale. Not so long ago our forces fought alongside the forces of the Republic of Korea and in fact we stand watch by their side in South Korea today. Our professionals have the highest esteem for these Korean fighting forces. So it goes throughout the whole region where our advisory groups have worked as comrades with the forces of our friends. There has been created a spirit of mutual respect and esteem. In the very recent past we have had conversations with General Williams, Chief of the Military Assistance Advisory Group, Vietnam, and General Cash, just returned from duty as head of the Army section working with the ground self-defense forces of Japan. They speak in the highest terms of the ability of these friends of ours to defend themselves and their determination to stay in the free world.

These countries need our help, professional and financial, to provide an adequate deterrent. The security of the United States demands that our friends get this needed help.

The expenditures for military assistance in the Far East are a vital investment to the security of the United States. To protect this investment it is necessary to insure that it will be capable of fulfilling the mission which it supports. In order to maintain the effectiveness of this investment the administration requested funds totalling \$567.2 million in fiscal year 1960. This figure is \$159.5 million less than that utilized in fiscal year 1959.

The proposed fiscal year 1960 military assistance program in the Far East of \$567.2 million is a very austere program. The congressional authorization bill has reduced the administration's request worldwide by \$200 million.

It is my most sincere conviction that any further reduction in the military assistance program for the countries of the Far East would seriously jeopardize our investment in the combat-ready military forces of that area and adversely impair the security of the United States in its forward area strategy.

#### COMMITTEE RECESS

Senator MONRONEY. Thank you, very much.

(Thereupon, at 12:15 p.m., Monday, August 17, 1959, the committee was recessed, to reconvene at 10:30 a.m., Tuesday, August 18, 1959.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

TUESDAY, AUGUST 18, 1959.

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden, chairman of the committee, presiding.

Present: Chairman Hayden, Senators Ellender, Magnuson, Monroney, McGee, Dworshak.

## MUTUAL SECURITY

### STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA

#### GENERAL STATEMENT

Chairman HAYDEN. The committee will please come to order.

Senator Humphrey, we shall be pleased to hear from you.

Senator HUMPHREY. Thank you, Mr. Chairman.

In order to conserve the time of the committee, I will make available to the recording secretary the full statement and then briefly summarize my suggestions to the committee.

I first want to thank the chairman for granting me this opportunity to testify in reference to the mutual security appropriations and certain items in which I have a special interest.

One, an adequate appropriation to the Development Loan Fund;

Two, a \$2 million appropriation for international medical research which was the authorization in both bodies; and

Three, a \$50,000 appropriation for an American research hospital for children in Poland.

#### PROPOSED AMENDMENT

Finally, I shall call to the committee's attention an amendment which I would like to offer for special foreign policy studies.

(The amendment referred to follows:)

[H.R. 8385, 86th Cong., 1st sess.]

AMENDMENT Intended to be proposed by Mr. Humphrey to the bill (H.R. 8385) making appropriations for mutual security and related agencies for the fiscal year ending June 30, 1960, and for other purposes viz: On page 4, between lines 20 and 21, insert the following:

Special foreign policy studies: For expenses of the Department of State in procuring by contract or otherwise of special foreign policy studies relating to disarmament, weapons control, and possible technical means for enforcing arms control under a reduction of armaments agreement, \$400,000.

## DEVELOPMENT LOAN FUND

Senator HUMPHREY. Now, Mr. Chairman, I am appealing only for appropriations with the exception of the disarmament matter which were fully authorized in the Mutual Security Act of 1959.

The committee will recall that the Senate Committee on Foreign Relations advocated in the instance of the Development Loan Fund a billion dollars a year on a long-term basis.

The Mutual Security Act as it was finally passed and signed by the President, provided only for a 2-year authorization of \$700 million for the first year and \$1,100 million for the second, with money to be provided only through an appropriation bill.

Now, the House has appropriated to the Development Loan Fund \$550 million for fiscal 1960; \$150 million less than authorized.

The Development Loan Fund was established by Congress 2 years ago. Since that time the Development Loan Fund was organized and has gone into operation making judicious loans to assist the underdeveloped countries to accelerate their rate of economic growth.

Now, in order to accelerate the growth rate a substantial amount of funds will have to be provided.

It is my view that the \$550 million is far below the amount necessary to do an effective job.

## COMMITTEE FOR ECONOMIC DEVELOPMENT RECOMMENDATION

The Committee for Economic Development in 1957 recommended a billion dollars a year for 5 years. The National Planning Association in 1958 recommended a program of \$10 to \$20 billion over a 5 to 10 year period.

The special studies project of the Rockefeller Brothers Fund in the spring of 1958 called for a substantial increase in the level of appropriations then made available to the Development Loan Fund.

## DRAPER COMMITTEE CONCLUSION

This year the Draper Committee concluded that the \$700 million now authorized is the minimum required and recommended at least \$1 billion per year thereafter.

I, therefore, feel that I should, as a member of the Committee on Foreign Relations, point out the importance of the full \$700 million for the Development Loan Fund. It seems to me to provide less might be a very serious mistake.

## HOUSE ACTION

Senator MAGNUSON. The House, Senator, provided \$550 million?

Senator HUMPHREY. That is correct.

Senator MAGNUSON. The restorations requested are 650.

Senator ELLENDER. That is an advance on next year's authorization, that is, 1961. The authorization for fiscal year 1961 is \$1.1 billion, I think.

Senator HUMPHREY. One billion one hundred million dollars was the second year authorization.

My recommendation for the first year is \$700 million.

Senator MAGNUSON. Rather than the \$650 million?

Senator HUMPHREY. The \$550 million provided by the House.

Senator MAGNUSON. In other words, a restoration of \$150 million over the House figure?

Senator HUMPHREY. That is correct.

Obviously, there will be a conference on these matters, gentlemen, as you know better than I do, and somewhere between the \$550 million and the \$700 million will be the figure agreed upon.

It seems to me that gives you some area of negotiation.

#### MEDICAL RESEARCH FIELD TRIALS

The second item, quickly, gentlemen, is the money for medical research field trials. Now, the committee has in its files a detailed memo which I previously submitted, respectfully, urging that the committee not accept a particular provision in the House bill. I refer to the House action which prohibits funds being used to carry out the provisions of section 501(b) of the Mutual Security Act of 1959.

Now, section 501(b) would make available on a permissive basis through the President's contingency fund a sum of up to \$2 million to be used for field trials, surveys, and demonstrations which might lead toward the mass eradication of selected disease.

After the House prohibited the use of any funds for this purpose, I communicated with the members of the House Committee on Appropriations to try to clarify the great value of the section 501(b). One of the members kindly indicated I had made an impressive case for it. He indicated, however, that he still felt that insufficient study was given to what he regarded as a "new use" of U.S. money abroad.

My point is that this is not new use. For 1 year, the Senate Government Operations Subcommittee, of which I have been the chairman, has been gathering worldwide evidence of the enormous needs for the type of research field trials that I am recommending. We have been in communication, gentlemen, with doctors in over 75 countries and all of the health authorities in these countries.

We have gathered together the greatest volume and mass of medical information of any committee in the Congress on an international basis.

I must say that the \$2 million, gentlemen, is modest, very modest.

Now, we are proposing in this \$2 million fund, which is permissive, by the way, it is up to \$2 million—out of the contingency fund—we are proposing that with certain drugs and certain biotics that there can be field trials of these drugs in large enough numbers so that we get some idea of how to evaluate their therapeutic effectiveness.

Now, this has been proven to be very valuable in the case of oral vaccine for poliomyelitis. It has also proven to be very valuable in certain selected instances on certain tropical diseases.

#### STUDY OF TROPICAL DISEASES

I notice here in the room with me members of the armed services, distinguished officers of the armed services. In our study in the Subcommittee on International Health we have found that one of the great needs of the military services is further study in the field of tropical diseases, for example, diseases that are characteristic to Asia and Africa and areas where our troops are stationed.



Senator MAGNUSON. The Senator from Minnesota knows of my interest and the other members' interest in this medical research and the Appropriations Committee which has tackled this thing domestically in a pretty substantial way.

The military have their medical research in the military defense appropriations budget.

The National Science Foundation have their research in their budget. They can make grants such as \$2 million to an international program such as they did in the scientific field on the international geophysical year.

Now, what would be the practical administration of this program? Who would do it?

Senator HUMPHREY. Through the World Health Organization.

Senator MAGNUSON. If the President decided to do this the money would be given to the World Health Organization who in turn would select, I suppose, for these field trials.

Senator HUMPHREY. Yes. On the basis of the projects approved by the President, in other words, this consultation with World Health authorities.

Senator MAGNUSON. So there would be no overlapping?

#### WORLD HEALTH ORGANIZATION MEETING

Senator HUMPHREY. There would be no overlapping.

In fact, when I was in Geneva this last winter spending 3 days in the World Health Organization and making as intensive a study as any one person could in those 3 days, I talked to the doctors there in charge and some of the specialists that were being brought in from other countries to this very matter of field trials and field surveys on new drugs and biotics and vaccines and antigens and all the other new items of medical science.

Senator MAGNUSON. Is the World Health Organization an adjunct of the United Nations?

Senator HUMPHREY. Yes, sir.

Senator MAGNUSON. It is an arm of the United Nations?

Senator HUMPHREY. Yes, sir. It is what we call an auxiliary or supplementary unit.

Senator MAGNUSON. Has the mutual security program ever included medical trials or medical treatment?

Senator HUMPHREY. It has included sums of money for medical research through the World Health Organization.

Senator MAGNUSON. Has it included in the past some money to do some medical work in different areas?

Senator HUMPHREY. No, it has not.

In terms of field trials of the degree that we are speaking of, it has not. Except for malaria.

#### EYE TREATMENT IN VIETNAM

Senator MAGNUSON. I remember being in Vietnam where I saw huge lines of people lining up to get some treatment for their eyes.

Senator HUMPHREY. That is correct.

Senator MAGNUSON. That was under mutual security, as I recall that. It was a small program, but it is nothing new for mutual security to sponsor such a program as part of the overall.

Senator HUMPHREY. It is nothing new for mutual security to sponsor treatment programs of established, accepted practices.

For example, in malaria treatment, in certain types of eye infection, in certain diseases where we have already perfected the treatment, it is indeed true that ICA working alone or in cooperation with a host government does this job and that we have cooperated with World Health. This \$2 million that I am talking about now is for field trials of new drugs and of new treatments.

(Discussion off the record.)

#### SUPPLEMENT TO WORLD HEALTH BUDGET

Senator ELLENDER. The amount you are requesting, as I understand, is to supplement the World Health budget which is obtained from the United Nations?

Senator HUMPHREY. In a field, Senator, in which the World Health Organization has no budget at this time.

Senator ELLENDER. Well, it could get it from the United Nations. It could simply put it in as a project.

Senator HUMPHREY. That is true.

Senator ELLENDER. As I remember, we are furnishing a little over a third of the budget for the World Health Organization.

Senator HUMPHREY. I think your figures are about right, sir.

Senator ELLENDER. So this is supplemental.

In my surveys abroad, I found out that oftentimes the World Health Organization came into an area, started a program, and said now ICA you take it over. That was particularly true with respect to the malaria program in Sardinia and other places.

#### FUNCTION OF WORLD HEALTH ORGANIZATION

Senator HUMPHREY. Senator, the World Health Organization is not what we call an operative organization. It is just what you said, it is to stimulate local activity to do pioneering work.

In many instances it has not left it to the United States. It has left it to the governments who are there who have been inspired to take on new activities.

Senator ELLENDER. We have been the ones to furnish the money in most cases.

With respect to glaucoma the World Health Organization has done a magnificent job, but, of course, it was limited in its activity because of the lack of funds.

But invariably the World Health Organization has started these projects and then has looked to us to continue them on the assumption, I presume, that Uncle Sam is rich and has all the money necessary to carry out the projects.

Senator HUMPHREY. I will only say this, that the amount of money we are spending in world health activities is such an insignificant portion of the amount of money in mutual security that it is almost negligible.

I really believe from our own productive point of view we do quite well in this appropriation with the number of people that we have around the world. With our responsibility for these people we can maybe save this amount of money and then some.

Senator ELLENDER. I am not arguing that. If it were left to me, I would use most of the military assistance funds for such purpose as that. It would do more good in my humble judgment.

#### DEVELOPMENT LOAN FUND

Now, you spoke a while ago about the amount for the Development Loan Fund. As you will remember, I am for the \$700 million. I thought the House made a mistake. I also believe the House made a mistake in increasing the military assistance by \$100 million. That ought to be set back to the amount authorized by the Senate.

Do you not agree with that?

Senator HUMPHREY. I happen to think that the economic assistance is more important.

Senator ELLENDER. Good and well, but in the field of military assistance, as you remember, the Senate provided \$1,300 million.

Senator HUMPHREY. I voted for that and voted for one of the reductions.

Senator ELLENDER. I know you did, but the conference committee increased it by \$100 million. I would rather use some of that money for these other purposes.

I am sure you feel the same way.

Senator HUMPHREY. I voted for what I thought was right in the Senate. I believe I supported the Senator's amendment.

Senator ELLENDER. You did.

Senator MAGNUSON. For instance, Senator Ellender, that eye program down there in the backwoods of Vietnam, for its cost did more per 10 cents than every hundred dollars we have spent for military assistance. They would line up, they would come in from the Communist side of the place to sneak in at night to line up to get that eye treatment.

Senator HUMPHREY. Indeed.

Senator ELLENDER. The same thing with malaria.

Senator HUMPHREY. The malaria program has been a godsend.

Senator ELLENDER. In Sardinia the malaria was so bad the people could not live there. Since we have gone there and cleaned it out it is a beautiful spot.

I am for such programs.

#### POLISH RESEARCH HOSPITAL

Senator HUMPHREY. I know the chairman and the committee have so much to do, I want to rush along.

My other item is \$50,000 for a Polish research hospital. I hope the committee will act favorably on an amendment which I have introduced which will provide \$50,000 equivalent in foreign currency for the purpose of planning, within the next few months, to commence construction on the American Child Hospital for research in Poland.

The only question confronting this committee, therefore, is will it choose to flash the green light for this first project to get underway under section 205(a) of the Mutual Security Act of 1959.

I might say that the sponsors of this overall hospital provision definitely had in mind this specific project in Poland, as they themselves clearly stated.

The Polish project is well conceived, is backed by a distinguished American committee. It is planned for an ideal location at the University of Krakow and it is timed ideally in connection with the 600th anniversary of that great university in 1963.

#### AVAILABILITY OF LOCAL CURRENCY

Chairman HAYDEN. May I ask, are the zlotys available in the amount of \$50,000 by reason of the agricultural supplies we have given Poland?

Senator HUMPHREY. Yes, sir; they are available in large amounts.

I have forgotten, Mr. Chairman, but it is about \$200 million, I think, available of zlotys, but would require the appropriation process.

By the way, I want you to know that I feel the appropriation process for these foreign currencies is a very sound and salutary process. I think it gives a little better idea of the programing of the currencies.

So my amendment calls for the allocation of the sum of \$50,000 equivalent in Polish zlotys so that we can begin the planning on this project.

Two weeks ago I had the architect and the chairman of this Polish American committee that seeks to sponsor this particular program, before our Subcommittee on International Medical Research. He gave a very fine presentation and the amount that is being requested now is just enough to get this underway so that we have some planning and draftsmanship that will lend itself toward ultimate construction.

#### ESTIMATED COST

Chairman HAYDEN. What is the estimated cost?

Senator HUMPHREY. I will stand corrected, but I think it is \$3 million, but I may be in error on that.

Chairman HAYDEN. \$3 million in Polish currency?

Senator HUMPHREY. Yes, sir. It is practically all Polish currency. The amount of the dollars, as I recall it, will be by private donations.

As you know, Mr. Chairman, there is no other way we can use Polish currency except in Poland for whatever good uses the Government of the United States may seek.

I really want to underscore the importance of this psychologically. I felt when I was in the Soviet Union and so said when I returned, that the one place that we ought to spend more time and attention in all of Eastern Europe is Poland because Poland today is like a thorn in the side of the Soviet system. The Poles are passionately nationalistic.

As Vice President Nixon's tour revealed, they are pro-American, they are really very fond of this country.

To give this little beginning sum would have, I think, a great psychological impact upon the people of Poland.

Senator ELLENDER. Has it been authorized?

Senator HUMPHREY. Yes, the amount is authorized under section 205(a) of the Mutual Security, funds for the hospital construction. It is out of foreign currencies, you see.

Senator ELLENDER. I just wanted to be sure that it was authorized.

Senator HUMPHREY. Yes, it is authorized, but not by the word "Poland," Senator Ellender.

Now, Mr. Chairman, I am afraid I am like a broken record on the next item. Every time I see you I have a word to say to you about it, but it is because of your kindness, your generosity that you listen to me.

#### CONTRACT STUDIES OF DISARMAMENT PROBLEM

I have an amendment which I read into the record encouraging this committee to make available under mutual security the sum of \$400,000 for contracting out technical studies on various aspects of the disarmament problem to private research organizations.

Now, my case is very simple. The Government of the United States has a policy relating to arms control, commonly known as disarmament. We are again reevaluating that policy.

The President has appointed Charles Coolidge from Boston, who has been assigned with the special responsibility of reevaluating the U.S. Government policy relating to disarmament. We are about to enter again into negotiations at the United Nations with a committee of 10, 5 from the East and 5 from the West, to undertake disarmament negotiations.

Now, I am for this indeed, and have served as chairman of a sub-committee in this field, but I think that it is one thing to talk about disarmament and it is another thing to know what you are doing when you talk about disarmament.

I have seen in my few years here where we have explored possibilities in disarmament without adequate technical studies as to what the impact would be if the Soviets ever agree to disarmament.

For example, we were negotiating 2 years ago in London on certain matters of disarmament under what we called effective controls without adequate technical studies as to the controls that would be applied.

One of these days there is going to be some disarmament or there is going to be a blowup in the arms race and if there is a program of disarmament I want one that we can live with. I want one that will not threaten our security.

All they request boils down to a sum of money available for contract with eminent research organizations, private organizations that have no political ax to grind, as such, where they can make the technical studies that need to be made for disarmament measures.

I really feel that this is a matter of national security.

#### AMOUNT RECOMMENDED FOR DISARMAMENT STUDIES

Now, the sum of \$400,000 is what I recommend. Maybe the committee will feel that it should be less. My plea to you is, let us have something to get started with it.

We once did have some funds in the Department of State for this, but they have been exhausted.

Right now the disarmament program of the Government is stated by the President, we are in negotiations at Geneva. We are going to be in negotiations at the United Nations.

Regrettably we are poorly equipped in terms of the technical aspects of the disarmament problem to do the job.

## AUTHORITY FOR APPROPRIATION

Chairman HAYDEN. This committee may only appropriate money authorized by law. What is the authority for this?

Senator HUMPHREY. There is authority of law for it because it was recommended, first of all, in the President's budget. The President recommended \$500,000 for this.

I had offered, as the chairman knows, amendments in the sum of \$500,000, but was unable to be sufficiently persuasive to convince my illustrious colleagues of the meritorious position I had taken. I thought I would start all over again and reduce this sum to a smaller figure.

As I have said, maybe this figure is beyond what the committee wants to agree to. My plea is that we start with it even if it is \$250,000.

Senator ELLENDER. Under whose auspices would this be done, the Foreign Relations Committee?

Senator HUMPHREY. Well, there is existing authority for this program.

Senator ELLENDER. I know, but you have been studying that for how long now?

Senator HUMPHREY. This was recommended unanimously by the Subcommittee on Disarmament of the Foreign Relations Committee.

Senator ELLENDER. Will these additional funds be used by your subcommittee?

Senator HUMPHREY. No; this has nothing to do with the committee. It has something to do with the executive branch under the State Department, coordination by the State Department, working with other agencies of the Government.

Senator ELLENDER. Why could not the State and Defense Departments take care of this out of their own funds?

Senator HUMPHREY. They could, and I have encouraged them to do so. It is like my own household; we always have the fund committed. When something new comes up, why, somebody in the family reminds us that that has already been committed someplace else.

## USE OF SUPPLEMENTAL FUNDS, 1958

The point that I want to emphasize is that last August in a supplemental appropriations bill the State Department was allowed by this committee \$70,000 to initiate technical disarmament studies, but when additional funds were requested this year and were rejected the Department decided to utilize the \$70,000 for other purposes.

Now, I deplored this action and I indicated such to the Department. I do not think the Department of State or the administration has given proper priority to this disarmament policy, but I really feel that it would be advisable for the Appropriations Committee to allocate a sum of money for it and say that you want it spent for this particular purpose because just as surely as we are in this room we are going to engage in these discussions, gentlemen, and we are going to wake up to find out again that we have proceeded on the political level toward disarmament negotiations without adequate technical information.

This is what happened at Geneva. The Berkner report reveals that after we had gotten deep into the studies in Geneva on nuclear testing, deep into the negotiations, we came up with the sudden realization that we had not done adequate research in the field of seismology to really stop all the political negotiations into which we had entered.

I really feel my responsibility here because maybe through circumstances of being a subcommittee chairman it has been my duty and privilege to study this a little more than some other Members of the Senate.

#### FUNDS FOR DISARMAMENT STUDIES

I am not here saying that the magic figure is \$400,000, Mr. Chairman. I am here saying that I hope the committee will do as they did once before, allocate a sum of money for these technical studies and then say to the State Department, "We want it used for this purpose and if you cannot use it for this purpose, let it revert to the Treasury rather than diverting it as was done this last time," of the \$70,000.

I think that is inexcusable and I think the Department ought to be brought to task for it.

Senator ELLENDER. Let us not abuse the State Department.

Senator MAGNUSON. Let me ask this: By technical studies, what do you mean? Is not disarmament primarily a political matter?

If countries say they are going to disarm it is based on political considerations; is it not?

Senator HUMPHREY. Right, plus adequate controls.

#### NEED FOR CONTROLS

I do not think any member of the Senate would ever vote to ratify a treaty on disarmament unless he were pretty well convinced that there were controls.

As Admiral Radford said, we do not trust the Soviets so we must build a substitute for trust. The substitute for trust is a mechanism or control mechanism that will see to it that cheating is quickly ascertained or discovered and stopped.

Senator MAGNUSON. In other words, this technical study would be directed toward that phase of as to how we could have what you call effective control?

Senator HUMPHREY. Exactly.

Senator MAGNUSON. Not a technical study as to how far you could disarm without weakening your self or something of that character?

Senator HUMPHREY. No; the main point in it would be on the control mechanism.

Senator MAGNUSON. Control internationally?

Senator HUMPHREY. Yes, sir.

That is all, and I certainly want to thank the committee for their very polite audience.

Senator DWORSHAK. Although this is an executive session, I suggest that Senator Humphrey be permitted to publicize the statements that he has made in his appearance here.

Senator HUMPHREY. It is not necessary, Senator. The best publicity I would like on this is an affirmative vote from the committee.

Thank you.

(The formal statement of Senator Humphrey and other material submitted follow:)

Mr. Chairman, I appear before you in the interest of a strong and imaginative mutual security program worthy of the challenges and opportunities we face in a fast changing world. In my brief statement I want to respectfully request that favorable consideration be given to: (1) an adequate appropriation to the Development Loan Fund; (2) a \$2 million appropriation for international medical research; and (3) a \$50,000 appropriation for an American research hospital for children in Poland.

I want to make it perfectly clear, Mr. Chairman, that I am appealing only for appropriations which were fully authorized in the Mutual Security Act of 1959. All of these programs have been thoroughly researched and considered by the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs.

#### THE DEVELOPMENT LOAN FUND

Some weeks before the Senate Committee on Foreign Relations began its hearings on the Mutual Security Act of 1959, I joined in sponsoring an amendment providing authority for the Development Loan Fund to borrow from the Treasury up to \$1.5 billion a year for 5 years. The committee reported out a bill incorporating all the major features of this amendment except the amount of the annual authorization which it reduced to \$1 billion.

As you know, the Mutual Security Act of 1959 as finally passed and signed by the President provided for only a 2-year authorization, \$700 million for the first year and \$1.1 billion for the second with the money to be provided only through an appropriation bill.

The House has appropriated to the Development Loan Fund \$550 million for fiscal 1960—\$150 million less than authorized.

The Development Loan Fund was established by the Congress 2 years ago. At that time extensive studies were made of our foreign relations and the mutual security program in particular. The establishment of the DLF was considered to be a new departure in our economic assistance program and marked a moving away from grant assistance to assistance on a loan basis. Since that time the DLF was organized and has gone into operation making judicious loans to assist the underdeveloped countries to accelerate their rate of economic growth. Now in order to accelerate the growth rate, a substantial amount of funds will have to be provided.

We must face the fact that given the large population growth in these countries, assistance up until now has gone largely to keep their heads above water. The Development Loan Fund was planned to do something more than this, but it cannot do so unless adequate funds are provided for this purpose.

Five hundred and fifty million dollars is far below the amount necessary to do an effective job. Surveys done by many responsible public and private bodies have come to the conclusion that upwards of a billion dollars a year is necessary to make an appreciable impact. The Committee for Economic Development in 1957 recommended \$1 billion a year for 5 years; the National Planning Association in 1958 recommended a program of 10 to 20 billion dollars over a 5- to 10-year period; the special studies project of the Rockefellers Bros. Fund in the spring of 1958 called for a substantial increase in the level of appropriations than made available to the Development Loan Fund; and this year the Draper Committee concluded that the \$700 million now authorized is the minimum required and recommended at least \$1 billion per year thereafter.

I cannot overemphasize how important it is that the full \$700 million for the Development Loan Fund be appropriated. To provide less would be, in my judgment, a serious mistake.

#### \$2 MILLION FOR MEDICAL RESEARCH FIELD TRIALS

The committee has in its files a detailed memorandum, which I have previously submitted, respectfully urging that the committee not accept a particular provision in the House bill. I refer to the House action which prohibits funds being used to carry out the provisions of section 501(b) of the Mutual Security Act of 1959. (See sec. 110 of H.R. 8385.)

Section 501(b) would make available, on a permissive basis through the President's Contingency Fund, a sum of up to \$2 million to be used for field trials, surveys and demonstrations which might lead toward the mass eradication of selected diseases.

After the House prohibited the use of any funds for this purpose, I communicated with members of the House Committee on Appropriations to try to clarify the great value of 501(b). One of the members, in responding kindly indicated



that I had made an "impressive" case for 501(b). He indicated, however, that he still felt that insufficient study had been given to what he regarded as a new use of U.S. money abroad.

The fact is, however, that the use is not new. The further fact is that, for 1 year, the Senate Government Operations Subcommittee, of which I am chairman, has seen worldwide evidence of the enormous need for this type of research field trial.

If the Senate does not act to permit funds to be used for this purpose, we will lose precious time. And this will happen not simply in the mass eradication of diseases of interest to other parts of the world; we will lose the possibility of learning new clues on how to conquer diseases in our own country, e.g., virus diseases.

#### \$50,000 FOR POLISH RESEARCH HOSPITAL

Also, I hope that the committee will act favorably on an amendment that I have introduced, which would provide \$50,000 equivalent in foreign currency for the purpose of planning, within the next few months, to commence construction on the American Children's Hospital for Research in Poland.

The only question confronting this committee therefore is: Will it choose to flash the "green light" for this first project to get underway under section 205(a) of the Mutual Security Act of 1959? I might say that the sponsors of the overall hospital provision definitely had in mind this specific project in Poland as they, themselves, clearly stated.

The Polish project is well conceived. It is backed by a distinguished American committee. It is planned for an ideal location at the University of Krakow. And it is timed ideally in connection with the 600th anniversary of that great university in 1963. But time to start is of the essence. By allocation now of the small sum of \$50,000 equivalent (in Polish zlotys) we will begin to realize immense good from this project.

This concludes my statement, Mr. Chairman. I want to thank you for the opportunity to testify on this measure. There is no more significant bill for the Congress to consider this year than the one before this committee. H.R. 8385 has worldwide import.

I am hopeful that this committee will report out a bill which will provide the funds necessary for our Government to do the kind of job which is required to advance the cause of freedom and raise the living standards of the world's people.

U.S. SENATE,  
COMMITTEE ON GOVERNMENT OPERATIONS,  
SUBCOMMITTEE ON REORGANIZATION AND INTERNATIONAL ORGANIZATIONS,  
August 3, 1959.

HON. CARL HAYDEN,  
Chairman, Committee on Appropriations,  
U.S. Senate, Washington, D.C.

DEAR CARL: This will supplement my past letter respectfully suggesting that the Committee on Appropriations allocate operating funds under the amendment for \$2 million for field trials abroad for eradication of disease. This was authorized under section 501(b) of the mutual security authorization law of 1959, Public Law 108, 86th Congress.

I should now like to bring to your attention another matter somewhat comparable.

This concerns the need for operating funds to begin to implement section 400(c) of the same authorization law.

Section 400(c) provides for the use of local currencies and dollars for American-sponsored or founded research hospitals or centers abroad.

The one particular project on which construction could be begun is the proposed American Research Hospital for Children in Poland, to be constructed at the University of Krakow.

Since the appropriation bill had cleared the House prior to the President's signature of Public Law 108, it is the hope of all supporters of this hospital that it may be possible for the Senate Committee on Appropriations to allocate the use of \$50,000 in Polish zlotys for this particular hospital.

Congressman Clement J. Zablocki is well informed on this subject, having offered the original provision in H.R. 7500, which subsequently became Public Law 108.

In addition, the staff of the international health study of the Senate Committee on Government Operations would, likewise, be prepared to offer any information which might be required by your committee.

Needless to say, I hope that you and your colleagues will not hesitate to call upon me personally if I can supplement the attached statement of justification for the proposed \$50,000 grant in Polish zlotys.

I would be very appreciative if the enclosed copy of my amendment, the text of the justification statement, and this letter could be printed in the transcript of your hearings on H.R. 8385.

With kindest wishes, I am,

Sincerely,

HUBERT H. HUMPHREY,  
*Subcommittee Chairman.*

JULY 31, 1959.

MEMORANDUM FROM SENATOR HUBERT H. HUMPHREY, CHAIRMAN, INTERNATIONAL HEALTH STUDY, RE: JUSTIFICATION FOR AMENDMENT, TO ALLOCATE \$50,000 EQUIVALENT IN FOREIGN CURRENCY FOR PLANNING FUNDS FOR AMERICAN RESEARCH HOSPITAL FOR CHILDREN IN POLAND

On July 30, I introduced an amendment to H.R. 8385, the mutual security appropriation bill.

Its purpose is to make available the equivalent of \$50,000 in local currency for the purpose of planning for the construction of the proposed research hospital for children in Poland.

In effect, this amendment would begin the process of implementing section 400(c) of the Mutual Security Authorization Act of 1959, Public Law 108, 86th Congress. That section authorizes the use of local currencies for the purpose of supporting hospitals abroad, "designed to serve as centers for medical treatment, education, and research, founded or sponsored by citizens of the United States".

The proposed children's research hospital in Poland represents the very first project contemplated under section 400(c). This fact was specifically stated by Congressman Clement J. Zablocki, author of the section in the House Committee on Foreign Affairs, in his contacts with that committee and with members of the House Committee on Appropriations.

The present situation is that unless \$50,000 equivalent is authorized now, it will be impossible to begin the necessary detailed planning to "translate" i.e., elaborate the present architectural plans into the actual construction work.

#### TIMING OF HOSPITAL CONSTRUCTION

It is hoped that next spring, it will be possible to break ground for the construction project. This will be none too early, in view of the fact that it is hoped to have the hospital completed in time for the celebration in 1963 of the 600th anniversary of the University of Krakow.

The anniversary will be an event of tremendous significance throughout Europe. The university is the second oldest university in eastern Europe, being outranked in seniority only by the University of Prague.

#### DISTINGUISHED AMERICAN COMMITTEE

There has been tremendous interest in this children's hospital. A distinguished committee serves here in the United States toward the establishment of such a hospital.

Our colleague, Senator Harrison Williams of New Jersey, is one of the individuals on this committee, along with able officials of the noted organization, CARE. The world-famous physician in physical medicine and rehabilitation, Dr. Howard A. Rusk, is special consultant to the committee.

#### JULY 30 MEETING

The need for these initial funds was fully established at a factfinding session, which I had called together in the offices of the international health study of the Subcommittee on Reorganization and International Organizations of the Senate Committee on Government Operations, Thursday, July 30.

At that time, it was pointed out to legislative and executive branch representatives present that unless some planning money is made available, the period between now and the start of next year may not prove fruitful in advancing work on the scene in Poland.

In this interim, every effort will be made to raise a substantial sum of American dollars from private philanthropic resources. Many expressions of support have been received from interested American citizens. The financial need for zlotys is, however, urgent. Heartfelt sympathy is not enough for these tiny folk in a land which has suffered as much or more as any in Europe from World War II and its aftermath.

It is anticipated that all told, \$2.5 million equivalent in Polish zlotys for labor, materials, and services will be necessary for the project to be fulfilled. The equivalent of \$50,000 is, therefore a modest start. So far, all dollar expenses have been borne out of pocket by Mr. Wladek O. Biernacki-Poray, the architect who has donated his services.

Speed is of the essence if we are to be able to fulfill the objective of timing in connection with the 1963 celebration. But, even if that were not a factor, it is important that this work be scheduled underway on an orderly basis at the earliest opportunity.

#### CONCLUSION

At the moment, it is my understanding that there is no comparable children's research center in all of Poland.

To the extent that we can help bring this nobly conceived institution into being—as soon as possible—we will be fulfilling all the many objectives implicit in the concept of section 400(c).

This was the theme of my statement in the Congressional Record of July 22, beginning on page 12751.

I hope, therefore, that the Senate Committee on Appropriations will choose to insert this \$50,000 allocation in our Senate version of the bill and that, if it does so, its action will be sustained in the Senate-House conference committee.

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[H.R. 8385, 86th Cong., 1st sess.]

**AMENDMENT** Intended to be proposed by Mr. HUMPHREY to the bill (H.R. 8385) making appropriations for Mutual Security and related agencies for the fiscal year ending June 30, 1960, and for other purposes, viz: On page 2, between lines 23 and 24, insert the following:

Special assistance, special authorization: For assistance authorized by section 400(c) in the planning for construction of the American Research Hospital for Children in Poland at the University of Krakow, the equivalent of \$50,000 in local currencies.

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U.S. SENATE,  
COMMITTEE ON GOVERNMENT OPERATIONS,  
SUBCOMMITTEE ON REORGANIZATION AND INTERNATIONAL ORGANIZATIONS,  
July 31, 1959.

Hon. CARL HAYDEN,  
Chairman, Committee on Appropriations,  
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: I would like to invite your attention to page 11 of House Report 712, the report of the Committee on Appropriations on the appropriation bill to carry out Public Law 108, 86th Congress, the mutual security law for the fiscal year 1960.

Page 11 points out that the House Committee on Appropriations has decided to prohibit the use of funds to initiate or expand certain programs. It then enumerates these programs. One of them is international cooperation in health.

This particular program is authorized under section 501(b) of Public Law 108.

I am writing today to convey most respectfully my suggestion to the Committee on Appropriations that it consider deleting from H.R. 8385 this regrettable prohibition.

I believe that members of the House Committee on Appropriations may not have been fully informed as to the meaning of section 501(b). If the prohibition deleted, as I, for one, feel it should be, the President would be free to utilize

whatever sums he regards as appropriate from his contingency fund, up to \$2 million for this particular vital purpose. I have prepared a memorandum pointing out the tremendous and urgent need for implementation of section 501(b).

I point out that this particular provision is 100 percent consistent with past congressional precedents, with views received from the American medical community—and with the Congress' own statement of policy in the MSA law.

I earnestly submit that to allow the blanket prohibition to stand would be a serious error on the part of Congress so far as this and so far as other provisions are concerned.

I would be grateful if the text of this letter and the memorandum would be printed in the official transcript of the hearings by your committee.

Thanking you, I am,

Sincerely,

HUBERT H. HUMPHREY.

**MEMO FROM SENATOR HUBERT H. HUMPHREY RE JUSTIFICATION FOR OPERATING FUNDS FOR SECTION 501(b) OF THE MUTUAL SECURITY BILL, H.R. 7500, 86TH CONGRESS**

The purpose of section 501(b) as approved by the Senate-House conference committee is to authorize from the President's contingency fund the expenditure of \$2 million for research, field trials, surveys, and demonstrations looking toward the mass eradication of selected diseases.

The amendment is purely permissive—

(a) In view of the many other possible calls on the contingency fund for other purposes;

(b) In view of the fact that the President would want, for example, to determine from outstanding medical experts as to whether medical science had actually reached the stage of making worth while any such field trials, surveys, or demonstrations against particular diseases.

**BASIC SUGGESTIONS**

I respectfully submit that H.R. 8385, appropriating mutual security funds for the fiscal year 1960, should, particularly in the interest of the American people themselves, contain language, making available use of operating funds for this purpose and that restrictive language should be deleted.

**REASONS FOR AUTHORITY**

The reasons justifying this suggestion are as follows:

**INDIRECT COSTS OF DISEASE**

The following fact has been proved by many economists:

1. The American people are paying stupendous indirect costs from mass diseases, prevalent throughout the world.

The fact that wide areas of the earth, for example, are still ravaged by malaria costs the American taxpayers tens of millions of dollars per year. Thus:

(a) It costs our businesses money because it reduces foreign markets for hundreds of millions of dollars worth of American exports.

(b) It costs our importers money because it raises the cost of raw materials which they buy from abroad.

(c) It costs the American Treasury money because it reduces the taxable earnings of American free enterprise here and throughout the world.

**HIGHER COSTS FROM TOLERATING DISEASE**

2. The cheapest way to cut down on these losses is not through the world's endless toleration of avoidable infectious diseases, but through efforts toward mass eradication of them.

Our experience here in the United States was this:

For years and years, it cost the American people a fortune to tolerate mass infectious diseases such as typhoid fever, smallpox, diphtheria, etc. At last, the concept grew that it was far better from an economic standpoint, much less from a humanitarian standpoint, to deliver a series of sharp offensive blows against these infectious diseases. In so doing we virtually extinguished many of them completely, once and for all. This has saved us incalculable sums, not to mention much human misery.

The same situation is comparable abroad. Statisticians have proven that to try to merely control, say, malaria over a long period of time costs infinitely more than to mount a short, sharp assault against it and wipe it out for good. Sooner or later the world will recognize that this procedure is true of other mass killers and cripples as well. Malaria is fortunately on its way toward elimination, but what about other mass killers?

**PRIVATE ENTERPRISE, I.E., DRUG COMPANIES WOULD GET "GREEN LIGHT"**

3. Section 501(b) represents an approach 100 percent consistent with the American free enterprise system.

No single ally is more important to the concept of the amendment than America's private pharmaceutical industry.

It is this industry which will do as much or more than any single force in the world to achieve the concepts implicit in the amendment.

For it is the American pharmaceutical industry which is best qualified to develop mass therapy drugs, e.g., a type of cheap pill—a 1-cent-or-so oral vaccine, for example, which might be taken by tens of millions of peoples, as a means of rapidly avoiding or curbing or eliminating some infectious type of malady.

Within the next month, the Subcommittee on Reorganization and International Organizations of the Senate Committee on Government Operations, expects to publish a committee print which will be exclusively devoted to the role of the pharmaceutical industry in international medical research. This print will demonstrate that the pharmaceutical industry has been spending a great amount of money toward medical research. This research has naturally been geared basically toward the American market itself. Increasingly, the research is directed toward the world market, but present levels are relatively modest.

Section 501(b) in effect flashes a new "green light" for cooperation between government and the private pharmaceutical industry for research against those diseases which particularly affect tens of millions of people in the emerging countries.

Sample reactions to the subcommittee from the pharmaceutical industry have indicated that this type of Federal support is more than welcome.

**SECTION 501(b) IS NOT A RADICAL INNOVATION**

4. The concept of the amendment is actually not new. Right now, there is available through the International Cooperation Administration the sum of \$400,000 for field-type research into cholera.

This money was secured from the old Asian Development Fund (whose use actually expired at the end of the last fiscal year).

The greatest precedent for the amendment, however, is the continuing effort to strengthen mass attack for the purpose of malaria eradication.

The U.S. Government, thanks to wise decisions by the Executive branch, by the Senate and House Foreign Relations and Foreign Affairs Committees, and the Senate and House Appropriations Committees, is soundly long since committed to the malaria eradication program.

So now the question is, why not try the same successful techniques against other mass diseases?

In any event, the amendment is not something brandnew or something which authorizes the Congress to step—without consideration—into an "entirely novel field."

Instead it simply is the authority for a broadened and intensified program to realize further potentialities for human good.

**LONG-RANGE NEED REQUIRES ACTION NOW**

5. If the amendment is denied any operating funds, the net effect will be that not a single new dollar for this type purpose will be available from the U.S. Government in the 1960 fiscal year.

Thus, no program whatsoever of the type mentioned (over and above anti-cholera and antipolio efforts) will become possible for the next 12 months. The world will virtually stand still, so far as U.S.-sponsored new testing of new drugs against mass disease is concerned. But disease does not stand still. Our failure to act in 1960 fiscal year means that perhaps in 1965 or 1970 the world will wonder, "Why is it that research was not at least started back in 1960?"

Research takes time. No one can predict when it will achieve results. Yet a single \$100,000 grant may result in saving tens of millions of dollars.

Indeed, a single such grant may prove effective in halting before it starts an epidemic which could attack:

- (a) American servicemen stationed abroad;
- (b) People in our own continent who are, after all, just a few hours by jetplane away from all other continents.

#### DIFFERENCES AS COMPARED WITH HILL-FOGARTY BILLS

6. The type of field work contemplated under this amendment can and should be differentiated from the laboratory and other work contemplated for the National Institute for International Health and Medical Research, as proposed under Senator Lister Hill's bill, Senate Joint Resolution 41. The latter bill has already been approved by the Senate, and is now pending before the Subcommittee on Health and Safety of the House Committee on Interstate and Foreign Commerce.

No one is more familiar with Senate Joint Resolution 41, or can better describe its purposes than Senator Hill himself. But as one of the many sponsors of that great bill, let me submit what I, for one, believe are but a few of the distinctions between his legislation and this particular amendment.

1. Senate Joint Resolution 41 may, I believe, be implemented, in large part, at least for the several years up ahead, in the same manner that the National Institutes of Health are already carrying on some \$5 million of research spending for international projects in particular laboratories or hospitals.

2. By contrast, section 501(b) contemplates mass studies in the field, e.g., among tens of thousands of individuals in specified regions throughout the globe, particularly tropical and adjacent areas.

To carry out section 501(b) will require the closest possible cooperation with foreign governments, a matter for State Department and ICA attention. Obviously, a field trial cannot take place unless, too, it is, by and large, administered by foreign nationals, e.g., technicians of other governments, and unless policy decisions have first been reached in the highest quarters to cooperate with us. The fact that a research program will be largely administered by foreigners actually will represent a saving for us. Expenses can thereby be borne patriotically by the foreign government; our share of the expenses should be a reasonable amount.

Let it be noted further that I feel that Senate Joint Resolution 41, represents one of the most important single pieces of legislation which can possibly be adopted by the 86th Congress.

I would not want for one moment, any doubt as to the relationship or lack of relationship between these two pieces of legislation to delay or detract in the slightest from favorable action on Senate Joint Resolution 41 at the earliest possible date.

#### CLUES TO DIFFERENT DISEASES INTERRELATE

7. Certain diseases strike in particular sections of the world.

But in finding the answers to certain diseases, we may unlock answers to divergent diseases which exist in the United States.

A virus causing one type of disease in south Asia may act in a manner very similar to a virus which causes disease in the United States. Yet, without field trials in the foreign country, it may be impossible to test concepts which might ultimately be applicable in the United States.

Conclusions: This section is not a medical service or assistance program; it is a research program only. It is not designed to attempt to cope with the health problems of the world or of any foreign country in any other way than providing indispensable research answers.

It is neither a "novel" nor a "radical" program. There is ample precedent for it.

It is designed to help fulfill in good faith the statement of policy in section 501(b) of the Mutual Security Act of 1959. This policy statement in turn is not new; it is by and large a restatement of the policy declaration in the 1958 Mutual Security Act. In turn, that was simply an extension of policy statements, which may be found in Mutual Security Acts of earlier years (as related specifically to the eradication of malaria).

Section 501(b)'s underlying concept of medical research is supported throughout the American medical community.

This particular type of research is not covered under Senate Joint Resolution 41, nor under existing appropriations to the World Health Organization, nor under present National Institutes of Health programs overseas.

The final question confronting the Congress, therefore is: "Does it or does it not wish to use field trials which are indispensable if we are to help unlock the mysteries toward mass eradication of disease?"

## FAR EAST

STATEMENTS OF J. GRAHAM PARSONS, ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS; DR. RAYMOND T. MOYER, REGIONAL DIRECTOR, OFFICE OF FAR EASTERN OPERATIONS, INTERNATIONAL COOPERATION ADMINISTRATION, AND REAR ADM. EDWARD J. O'DONNELL, USN, DIRECTOR, FAR EAST REGION, OASD/ISA, DEPARTMENT OF DEFENSE, ACCOMPANIED BY J. E. MURPHY, INSPECTOR GENERAL AND COMPTROLLER, MUTUAL SECURITY; CLIFFORD C. MATLOCK, ECONOMIC SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY FOR FAR EASTERN AFFAIRS; ROBERT C. YOST, AID PROGRAMS ADVISER, BUREAU OF FAR EASTERN AFFAIRS; AND VINCENT SHERRY, PROGRAM OFFICER, DEPARTMENT OF STATE; WILLIAM J. KROSSNER, ACTING CHIEF, FAR EAST PROGRAM STAFF; C. HERBERT REES, PROGRAM OFFICER, OFFICE OF THE DEPUTY DIRECTOR FOR PROGRAM AND PLANNING, AND EDWARD F. TENNANT, ACTING ASSISTANT DEPUTY DIRECTOR-CONTROLLER, INTERNATIONAL COOPERATION ADMINISTRATION; CAPT. CHARLES WAYNE, USN, FAR EAST REGION, OASD/ISA; CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY FOR MILITARY ASSISTANCE PROGRAMS, OASD/ISA; MARKLEY SHAW, COMPTROLLER, ISA, AND COL. VICTOR H. KING, USAF, DEFENSE COORDINATOR FOR MSP CONGRESSIONAL PRESENTATION, ISA, DEPARTMENT OF DEFENSE—(Resumed)

## FAR EASTERN FORCES

Chairman HAYDEN. We have the same witnesses we had yesterday in case any members of the committee want to question them.

Senator Ellender.

Senator ELLENDER. Senator, I am sorry I was not here yesterday to listen to the witnesses. As you know, I was engaged in presenting a conference report on the public works bill. I appreciate the fact that these witnesses have returned.

There is one paragraph that I would like to quote from Mr. Parsons' statement. It is at the bottom of page 4 and the top of page 5.

The United States is helping to support the maintenance of Far Eastern forces numbering over 1½ million men who make up an essential and important component of the free world's total defense.

Would you be a little more specific and give us where these soldiers are located and whether or not they are Active or Reserves?

Mr. PARSONS. Admiral O'Donnell will answer that for you, Senator.

Admiral O'DONNELL. Taiwan, ———.

Senator ELLENDER. Are those Active or Reserves?

Admiral O'DONNELL. Active Forces.

In Japan, ——— active.

Senator ELLENDER. Japanese Army?

Admiral O'DONNELL. The Japanese Army, ———; the Navy, ———; the Japanese Air Force, ———.

#### CONTRIBUTIONS FROM JAPANESE RESOURCES

Senator ELLENDER. How much has Japan contributed out of her resources for that purpose?

Admiral O'DONNELL. I have it percentagewise, Senator Ellender. She contributes 7 percent of the total government expenditure and between 1 and 2 percent of the total gross national product. The total defense expenditures for 1958 are estimated at \$406 million.

Senator ELLENDER. That amounts to what percentage of her expenses.

Admiral O'DONNELL. Seven percent of government expenditures.

Senator ELLENDER. Go to the military?

Admiral O'DONNELL. Yes, sir.

Senator ELLENDER. And about 1 or 2 percent of GNP.

Mr. MURPHY. 1.4.

Senator ELLENDER. You realize that is rather small?

Admiral O'DONNELL. Yes, sir.

Senator ELLENDER. We spend about 10 plus percent of ours.

Admiral O'DONNELL. Yes, sir.

#### JAPANESE GROSS NATIONAL PRODUCT

Senator ELLENDER. I guess Japan spends less than any major country.

Now I would like to point out that the annual available resources of Japan are \$27,685 million, and her annual consumption amounts to \$20,186 million. She invests the difference between those two figures which amounts to \$7,499 million, or 27.1 percent of available resources. In our case, we invest about 15 percent of our resources.

Now I notice here that in the past Japan has received quite a large sum for military assistance. In fact in 1958, ——— million; in 1959, almost ——— million. You have Japan down this year for ———. Now what will that money be used for?

Admiral O'DONNELL. Aircraft and aircraft components and also, we propose to help them initiate the production of a modern type, air defense type aircraft.

Senator ELLENDER. Out of this money?

Admiral O'DONNELL. Yes, sir.

Senator ELLENDER. You mean by assisting Japan to build a factory?

Admiral O'DONNELL. No, sir; just to assist them to make the arrangements and to procure the material. There is a committee of Japanese officers in the country now, and they are in the process of selecting an American type aircraft which will be the basis of their air defense.

Senator ELLENDER. As I understand the situation in Japan, and I have been there several times recently, Japan has never been as pros-



perous as she is now. If in the past she was able to maintain thousands of soldiers to fight us, I wonder why she cannot proceed to do a little more for herself, especially in view of the fact that at present 27.1 percent of her available resources are being invested annually for the purpose of expanding her economy.

Admiral O'DONNELL. We are hoping that Japan is going to make an increase in her own contribution.

Senator ELLENDER. I know, but you ought to encourage her to do it now.

Admiral O'DONNELL. Yes, sir.

Senator ELLENDER. We have given Japan billions of dollars to put her where she is now.

#### IMPROVEMENT OF DEFENSE POSTURE OF JAPAN

Admiral O'DONNELL. Under the military assistance program we have furnished ——— through June 30, 1959, and we do think that the self-supporting situation of Japan will improve.

Senator ELLENDER. If Japan were in the red, I would say, good, help them, but Japan is reinvesting 27.1 percent of her available resources each year while we invest only 15 percent of ours.

To continue reading from Mr. Parsons' statement:

Most of these forces are to be found in the three countries which constitute major pressure points in the cold war.

Those are the ones you have just mentioned.

Mr. MURPHY. I do not believe Admiral O'Donnell had finished.

Admiral O'DONNELL. Korea, total of ———.

Senator ELLENDER. How many divisions in Korea?

Admiral O'DONNELL. Eighteen Korean divisions.

Senator ELLENDER. ——— per division?

Admiral O'DONNELL. Less than that actually.

Senator ELLENDER. How do you figure ——— then?

Admiral O'DONNELL. ——— includes all services; ——— in the Army. The ——— includes support troops.

Senator ELLENDER. Engaged in what?

Admiral O'DONNELL. Engaged in logistics and services.

We have a T/OE of ——— men for each of the 18 Korean divisions. There is in addition to the 18 Army divisions, one Marine division.

Senator ELLENDER. In that connection, when do you think those soldiers will be sufficiently strong and sufficiently trained in order to carry the load themselves?

We have a little over two divisions there now?

Admiral O'DONNELL. We have two divisions there; yes, sir.

Senator ELLENDER. Are we contemplating removing our people from there?

#### UNITED NATIONS COMMAND

Admiral O'DONNELL. I think perhaps that our people that are there, it is part of the United Nations Command. There are ——— Turks there.

Senator ELLENDER. ——— altogether, Turks, English, Ethiopians, Greeks, Thailanders. Do not forget to add this, too, that we are paying for their upkeep. We are providing money for their logistics. You might as well not have them there. They represent a token

force, to show "we're with you", but when it comes to fighting there is nobody there but us, as you know.

Admiral O'DONNELL. This is very important.

Senator ELLENDER. As a morale builder?

Admiral O'DONNELL. To indicate our support of the United Nations effort there.

Senator ELLENDER. Do you want to continue giving me those figures?

Mr. PARSONS. I might supplement what the admiral has said at this in relation to the U.N. Command and the maintenance of our two divisions there. I would like to do so very briefly off the record if I may.

Senator ELLENDER. We are in executive session; go on and talk.

(Discussion off the record.)

Senator ELLENDER. I understood that, but as I pointed out this year, last year and the year before that, although it is a U.N. Command, we have the major responsibility. Nobody is helping us there but the local people. Is that correct?

Mr. PARSONS. I would like to point out also, Senator, that in the event of a renewal of hostilities in Korea, all 16 nations are agreed in a joint resolution that those hostilities would be a matter of common concern and could not necessarily be limited to the area to which it was limited before.

Senator ELLENDER. I understand that. But it strikes me that the time for the 16 nations to show up is now. Let them come there and take care of their own soldiers as we are doing.

But no, you have handful of soldiers there to make believe it is a U.N. effort and we supply the money to support them. I think it is just putrid, if you want to know the truth about it.

Admiral O'DONNELL. In Laos we have ———. Those are all Army.

Philippines, Army, ———; Navy, about ———; Air Force, about ———.

In Thailand, Army, ———; Navy, ———; Air Force, ———.

In Vietnam, Army, ———; Navy, ———; Air Force, ———.

Senator ELLENDER. All those are active?

Admiral O'DONNELL. Yes, sir.

Senator ELLENDER. Active soldiers?

Admiral O'DONNELL. Active Forces; yes, sir.

Senator ELLENDER. All on duty now?

Admiral O'DONNELL. Yes, sir.

Senator ELLENDER. Ready to go in case anything should happen?

Admiral O'DONNELL. Yes, sir.

#### MAJOR PRESSURE POINTS IN THE COLD WAR

Senator ELLENDER. Most of these forces are to be found as you have just stated in three countries which constitute major pressure points in the cold war, Republic of Korea, Republic of China, and Republic of Vietnam.

Now Mr. Parsons further states:

Without our defense support assistance, however, the economies of these small countries, two of them recently ravaged by war, could not maintain current force levels with any degree of political or economic stability.

Now I wish to point out, Mr. Chairman, that in the case of Korea, as contained in the justifications submitted by ICA on behalf of a ———. The total domestic production in Korea is ———. Her total consumption is ———, which leaves ———.

(Discussion off the record.)

Am I correct?

Mr. MOYER. Mr. Chairman, may I comment on that?

Senator ELLENDER. In other words, I wish to point out that ———. Korea today has available for investment ——— percent of her total domestic consumption.

(Discussion off the record.)

Mr. MOYER. Senator Ellender, may I mention that this ——— first of all, relates to their own currency.

Senator ELLENDER. I know, but it has been converted.

Mr. MOYER. That is correct, but the use of it, the money that they have is not dollars; this is in their own money. In fact, they are extremely short in their foreign exchange.

#### FUNDS FOR EQUIPMENT AND CAPITAL ITEMS

Now, the amount which we are proposing here is in dollars to import equipment which will be—this ——— to which you have referred is for the import of various forms of items. It includes certain capital items, it includes industrial raw materials, it includes certain consumption items. This is required in order to help them pay for things they have to bring in from the outside for which they could not otherwise pay.

Senator ELLENDER. All right; why do you not use the DLF for that purpose? The purpose of the DLF was to take the place of these grants we are making.

(Discussion off the record.)

Senator ELLENDER. We have been doing this now for 7 or 8 years. Each year we have been adding to these items:

(Discussion off the record.)

Now, as I have said, we have been in that area for almost 10 years now, doing these same things year after year, and I am wondering how long we are going to keep it up. Why can you not use the DLF to do these things rather than defense support grants?

#### ANNUAL OBLIGATIONS FOR KOREA

Mr. MOYER. May I first mention, Senator Ellender, that as a result of rebuilding Korea, which absorbed a lot of money in the earlier parts of the program, to assist in recovering from the devastation of war, aid has been reduced. I would like to read the figures of amounts obligated for Korea for the 3 years of this program, beginning in 1955 through 1957, and then the figures for the last 2.

For 1955, under defense support, we obligated for all purposes—I will lump them together, it gives a better picture—we obligated in round numbers \$300 million.

In 1956 we obligated \$326 million. In 1957 we obligated \$304 million. Now in 1958 we obligated \$220 million, in 1959, \$217 million. So that we actually have been reducing the amount of aid.

## KOREAN LOANS OUT OF DLF

Senator ELLENDER. The point is, you were to let the Development Loan Fund take the place of grants. Your figures show that you have decreased it some, but very little. Korean loans already granted out of DLF amount to \$17,740,000, ———.

Mr. MOYER. Yes, sir.

May I explain in that connection the way we think of the Development Loan Fund and of defense support?

(Discussion off the record.)

Mr. MOYER. What we are hoping is to help Korea develop with her own resources available for investment, and with what we can put in, to the point where this figure will keep going down.

Now the general division that we have between defense support and the Development Loan Fund is that for defense support we help take care of the amount of investment which we estimate to the best of our ability will approximately keep the economy from deteriorating.

The Development Loan Fund comes in to take it beyond that so that they can make progress toward increasing self-support.

(Discussion off the record.)

## POWER RATES

Mr. MOYER. That is correct.

Senator ELLENDER. Let us consider the power projects.

As I pointed out last year and the year before, the Korean people were not paying a sufficient rate for power to even pay for the production of the power, much less on capital investment. Now, has that changed?

Mr. MOYER. It has changed to the extent that it is enough for production; it is not yet sufficient to pay for the other charges.

Senator ELLENDER. Why will the people not pay for the use of this current as we do in our own country?

Mr. MOYER. We have done two things to try to accomplish that. As I have said, we have not succeeded. One thing we have tried to do since—first of all, the rates are fixed by the Assembly. Rightly or wrongly, this power which the Assembly exercises was created by the constitution framed during the period of military government, so that in some sense we have something to do with that past history. But we got a group of Assembly members, managers of power companies, and top Government officials interested in power and brought them over here. We were hoping to sell them on establishing a rate commission.

Senator ELLENDER. I am familiar with that.

Why can we not challenge them now? Unless you do so they will not pay. We are too easy, that is our trouble. There is absolutely no excuse why the users of electricity in Korea should not at least pay for the production of that electricity. Is that correct?

Mr. MOYER. With the exception that they are paying for the cost, not for the amortization.

Senator ELLENDER. I understand that. Three years ago when I brought the matter up while I was in Korea, I discussed it with the President there. I laid it on the line. I told him specifically that unless they did get the people to pay we would reduce some of this

aid. It was just a matter of 6 or 8 months later when action was taken.

It strikes me that if you did the same thing that I tried to do you could accomplish something there. As long as you give them all they request, they will lean on us.

#### EXPERT STUDY OF RATE QUESTION

Mr. MOYER. Another thing we have done, Senator Ellender, is to set up an expert study of the rate question. They have completed their study and made recommendations to the assembly. What is going to happen when the assembly meets again, I don't know, but we are certainly going to try—

Senator ELLENDER. The way to do something about it is to reduce this money. That is what I would do.

#### FREIGHT RATES

As I pointed out 3 years ago, we had money in this bill to subsidize their railroads. I believe it was \$45 million a year. It was necessary for us to pay this subsidy because the proper freight rates were not being charged.

But the moment we said we would reduce grant aid, I believe they hiked the rates some. Now, what is the situation on freight rates. Have they been raised?

Mr. MOYER. They have been raised substantially. The freight rates were raised 90 percent and the passenger rates have been raised 85 percent.

Senator ELLENDER. Is that sufficient to cover the amortization of the capital investment?

Mr. MOYER. No, sir; this still is not sufficient.

Senator ELLENDER. Are you obtaining enough from them to pay for the operation of the railroads?

Mr. MOYER. It pays for the operation, but not the amortization. (Discussion off the record.)

Senator ELLENDER. It strikes me that if you were to tell them, unless you raise your rates so as to amortize this we are not going to let you have any additional funds. If you took such a step you might get somewhere.

#### FLOUR MILLS

Now, let me ask you a few more questions about Korea. How many flour mills constructed by us are being operated in Korea today?

Mr. MOYER. It still is the same number, Senator Ellender.

Senator ELLENDER. As I recall there were four?

Mr. MOYER. Three, I believe. I have three here in my notes and I think that is correct.

Senator ELLENDER. There were four contemplated as I recall. Now, who operates those mills?

Mr. MOYER. These are all privately owned and operated.

#### SOURCE OF WHEAT

Senator ELLENDER. Where do they get the wheat?

Mr. MOYER. The wheat comes in in this nonproject program, possibly some of it in the Public Law 480.

Senator ELLENDER. Do these plants buy the wheat?

Mr. MOYER. They buy the wheat; yes, sir.

Senator ELLENDER. What becomes of the money?

Mr. MOYER. Then that is put into a special account and we use it partly for the military and partly for other purposes.

#### COTTON MILLS

Senator ELLENDER. How many cotton mills have we reconstructed or revitalized in Korea?

Mr. MOYER. I believe that out of these funds, none.

Senator ELLENDER. I do not mean out of these funds. I am talking about the past.

As I remember, there were 11.

Mr. MOYER. That, I believe, sir, was mostly under the UNKRA program—the United Nations Korean Reconstruction Agency. To my knowledge we have not given any help in cotton mills.

Senator ELLENDER. You mean since the inception of ICA?

Mr. MOYER. I believe so, sir.

Senator ELLENDER. I think you are in error if you will look up your records, you will find I brought that out.

Mr. MOYER. I think that all came under the United Nations program.

(The information referred to follows:)

Assistance to cotton mills was extended primarily by UNKRA but in one or two special cases, ICA did provide aid, such as for example to the Tong Yang Spinning Co. for some machinery to make a better grade of cotton goods for the Korean market.

#### MILLS OPERATED BY PRIVATE ENTERPRISE

Senator ELLENDER. Are those cotton mills being operated by private enterprise there?

Mr. MOYER. They are privately owned and operated; yes, sir.

Senator ELLENDER. Where do they get the cotton?

Mr. MOYER. That comes in likewise either out of these funds under section 402—

Senator ELLENDER. In other words, out of the \$151 million set aside for commodities?

Mr. MOYER. Yes, sir.

#### EXPORTATION OF COTTON GOODS

Senator ELLENDER. Now, do you know how much of their cotton goods they export?

Mr. MOYER. I don't know the answer to your question directly.

Senator ELLENDER. Will you furnish it for the record?

Mr. MOYER. I will. I think there is a small amount. The figures in the book here indicate, it is estimated in 1958 they would export 210 million square yards.

Mr. MURPHY. That is production.

Mr. MOYER. That is production. I will have to check that.

(The information referred to follows:)

In 1958 Korea exported about \$900,000 of cotton cloth.

## FREIGHT RATES

Senator ELLENDER. How about flour? Do they export any flour?

Mr. MOYER. To my knowledge I think not.

Senator ELLENDER. I hope you will agree with me that we ought to get tough in Korea so that we can make the Koreans increase their freight rates as well as their utility rates to the point that the income derived will not only pay for operations but will also cover amortization.

Do you not think they ought to do that?

Mr. MOYER. Yes, sir; I do think so.

Senator ELLENDER. I do not think there is any doubt about it. I believe we have spent millions to bring electricity to practically all of Korea.

Mr. MOYER. That is certainly true in Formosa. I think it is much less true in Korea.

Senator ELLENDER. I agree with you. Formosa is covered from one end of the island to the other.

Mr. MOYER. Yes.

## PROBLEM OF CONVERSION TO DOLLARS

Senator MAGNUSON. If they amortize this capital investment would it be in their own funds?

Mr. MOYER. Yes.

Mr. MURPHY. It would be in Korean hwan. In order for them to import equipment to modernize their plant or replace generators or things like that, of course, they would have the problem of conversion to dollars to get the equipment.

Senator ELLENDER. Is there not some conversion figure on dollars?

Mr. MURPHY. There is an official rate of exchange of 500 to 1, Senator, but it is not a generally accepted rate in the world market.

In other words, you cannot get a dollar for 500 hwan in a free market.

## REPAYMENT TO UNITED STATES

Senator ELLENDER. How will we ever get it back?

Mr. MURPHY. How will the United States ever get—

Senator ELLENDER. The money back that we put in capital investment.

Mr. MURPHY. The answer, sir, is that we will not get back. It is grant assistance. It is not contemplated that it will be paid back.

Senator ELLENDER. In that connection how many millions of dollars have you in hwan now?

Mr. MURPHY. The situation in Korean hwan is not an abnormal situation; it is fairly reasonable, I believe, Senator.

At the end of fiscal year 1959 the total unexpended deposits of Korean hwan were the equivalent of \$216 million.

Senator ELLENDER. Why can you not use some of that?

Mr. MURPHY. May I go on, please. I would like to put this in perspective.

Senator ELLENDER. Go ahead.

## ACCUMULATION OF KOREAN HWAN

Mr. MURPHY. This accumulation is not exorbitant, Senator, in my judgment, if you view it in the light of the expenditure experience. In fiscal year 1959, the same year, our expenditures in Korean hwan were equivalent of \$346 million so at the end of the fiscal year \$216 million, part of which, in fact, \$78 million equivalent, is sterilized as an anti-inflationary measure, is not a situation which is out of line with reasonableness.

Senator ELLENDER. All right.

Senator MAGNUSON. As this hwan piles up why should not the grants in aid to Korea go down?

Mr. MURPHY. Sir, I would like to start out by saying it is not piling up. In other words, the records will not show that hwan is piling up.

For example, the comparable figure on June 30, 1958, as you recall the ——— figure I gave for June 30, 1959, the comparable figure was 275. So contrary to any worry about its piling up it actually decreased. It decreased by ———.

## USE OF KOREAN HWAN CURRENTLY

Senator ELLENDER. Why do we not use it to reduce the \$215 million of defense support?

Mr. MURPHY. We are using it. In fiscal year 1959 the total obligation of Korean hwan was \$305 million.

I will be happy to give you some detail. A large part of that is for their defense budget, payment of their troops.

Senator ELLENDER. In other words, these hwan will be in addition to the defense support granted?

Mr. MURPHY. No, sir.

Senator ELLENDER. It is left over, you have it for use; have you not?

Mr. MURPHY. These Korean hwan were generated from previous appropriations through imports of commodities.

Senator ELLENDER. As we accumulate those, why can we not use them to reduce the \$215 million?

Mr. MURPHY. We are using them currently. They are not accumulating in the sense that these balances are increasing.

Senator ELLENDER. Why do you not use the \$78 million?

Mr. MURPHY. The \$78 million equivalent is frozen as an anti-inflationary measure.

Senator MAGNUSON. Why can you not use the rest of it?

Mr. MURPHY. We are using them currently.

Senator MAGNUSON. You must add that amount to what we are appropriating.

Mr. MURPHY. Except that it was generated from previous appropriations. We don't want to be charged with the dollars you appropriate and then with the hwan.

Senator MAGNUSON. It makes no difference when it comes out of the taxpayer's pocket. When you charge it it is coming out.

Mr. MURPHY. Most of the money we are requesting for 1960 will generate hwan which will be available for use within Korea for mate-



rials and services in fiscal year 1961. Local currency cannot be substituted for dollars. There is a leadtime required for the dollar imports for which local currency will later be deposited.

#### NECESSITY OF GENERATING HWAN WITH DOLLARS

Senator MAGNUSON. No one has ever given a simple explanation; maybe it is not possible.

As you generate this hwan, \$215 million you have there now, you take \$70 million and you freeze that for credit purposes. Why do you not use the rest of it and cut that out of here?

Mr. MURPHY. We are currently using it, but if we did not put new dollars into the pipeline to generate additional hwan, then at the end of next year our hwan situation would be such that we would not be able to support the military budget.

In other words, it is a leadtime proposition. If we want to have hwan in the fiscal year 1961 to do the things which we think are necessary in Korea, we have to finance imports into Korea during the fiscal year 1960 to generate those hwan because at the rate we are using hwan we would quickly run out of them if we were not replenishing the supply.

#### EFFECT OF IMMEDIATE CUT IN AID

Senator MAGNUSON. Supposing we decided to cut aid to Korea right now, you still would have \$215 million to spend over there?

Mr. MURPHY. That is right, which would probably run out, at the rate we were spending in 1959. It would not even carry us through 1960.

Senator MAGNUSON. All right, but you still would have a year's program if you cut it out.

Mr. MURPHY. Then we would have lost time that we never again will be able to get.

Senator MAGNUSON. This contemplates that this will go on and on and on; is that right?

Mr. MURPHY. Well, I would rather have Secretary Parsons address himself to that. I certainly don't see it stopping overnight, myself. It is a long-term picture.

Senator MAGNUSON. I do not see it stopping overnight, but sooner or later you have to start to cut it down.

Senator ELLENDER. Senator Magnuson, insofar as military assistance is concerned, we gave Korea in 1958, \_\_\_\_\_ dollars, or \_\_\_\_\_ dollars. In 1959 we gave them \_\_\_\_\_ dollars.

(Discussion off the record.)

Senator MAGNUSON. For the record let me ask another simple question:

How much money are we giving Korea this year all told?

#### TOTAL PROPOSED FUNDS FOR KOREA

Mr. MURPHY. The total proposal under the mutual security program, Senator Magnuson, is \_\_\_\_\_ dollars.

Senator MAGNUSON. That is what you have in your figure here. Now, added to that—

Mr. MURPHY. In addition under Public Law 480 we would expect to sell them ----- dollars worth of commodities, also for Korean hwan, so that would be ----- dollars.

In addition they will be eligible for loans under the Development Loan Fund.

As Senator Ellender has pointed out there are applications pending of ----- dollars, but the total applications pending far exceed the resources that the President has even requested for the Development Loan Fund.

Senator MAGNUSON. How much money are we giving Korea this year or for 1960?

Mr. MURPHY. The answer that I can give you specifically is ----- dollars.

Senator MAGNUSON. Added to that we have ----- dollars over there?

Mr. MURPHY. Those are unexpended balances of hwan from previous generations.

#### NET INVESTMENT IN KOREA

Senator MAGNUSON. So we have a net investment—I am not arguing the merits of it—right now in Korea for the next year of ----- dollars, plus; is that correct?

Mr. MURPHY. I cannot buy that kind of approach, Senator Magnuson, because you are just adding 2 fiscal years together.

You see, the ----- you quote is generations from prior years appropriations. If you add those to fiscal year 1960 appropriations, it makes it look like in fiscal year 1960 Uncle Sam was actually going-----

Senator MAGNUSON. I am saying we have now in Korea American taxpayers' dollars, lying there in 1960, totaling ----- dollars plus.

#### EXPENDITURES OF 1960 FUNDS

Senator McGEE. How much of the ----- will be spent in 1960?

Mr. MURPHY. The expenditures in 1960 from the ----- dollars, I cannot cite exactly. The total expenditures during the fiscal year 1960 in Korea-----

Senator McGEE. Is it true that not all of the ----- will go into Korea in 1960?

Mr. MURPHY. Very little, in fact. The bulk of the actual imports into Korea during fiscal year 1960 will have been financed from fiscal year 1959, fiscal year 1958, and in some cases fiscal year 1957 obligations.

The expenditures that will occur from the 1960 money will occur in fiscal years 1961, 1962, and so forth.

Senator DWORSHAK. Will the Senator yield at that point?

Senator MAGNUSON. Off the record.

(Discussion off the record.)

#### ACTUAL FUNDS IN KOREA AT PRESENT

Senator MAGNUSON. If we cut out appropriations now, we could say you have over ----- dollars now. Would that be our situation?

Mr. MURPHY. We would have more than that, Senator——

Senator DWORSHAK. I can give you some more money there. On June 30, 1959, the unliquidated military balance for military assistance was —— dollars, and the unliquidated economic assistance was —— dollars. Is that correct?

Mr. MURPHY. That is correct; yes, sir.

In other words, when we close the fiscal year 1959, June 30, 1959, from previous appropriations which the Congress made for the benefit of Korea, the unexpended balances, that is, the things that were not represented by deliveries into Korea as of that moment, are the figures that Senator Dworshak just quoted.

Obviously, those balances will be spent in large part during fiscal year 1960 wherens the new money going in——

Senator MAGNUSON. Would not some of that revert?

Mr. MURPHY. They are all obligated.

Senator ELLENDER. But they are available for Korea?

Mr. MURPHY. They are available for expenditures during the year 1960.

Senator MAGNUSON. If we closed shop on Korea at the end of next year they would have approximately for 1960 —— dollars.

Mr. MURPHY. If we closed it at the end of next year we would have a year's more expenditures behind us.

Senator MAGNUSON. Say we voted this and then we said next year we are not going to do any more, the whole amount that would be available, unobligated, the amount we appropriate this year plus ——, would be close to —— dollars.

Mr. MURPHY. That is right, total assets to work with in various stages of implementation.

Senator MAGNUSON. Would be close to —— dollars?

Mr. MURPHY. That is right.

Of course, that would be spending out constantly as the years progress.

FUNDS AS OF SEPTEMBER 1, 1959

Senator MAGNUSON. That is right. They would have to—if we voted this bill out, say as of September 1, —— dollars to spend in their account; is that correct, or close to it in round figures?

Mr. MURPHY. Yes, sir.

Mr. SHUFF. Senator, it would not be —— dollars, sir; it would be equity hardware as far as the military is concerned.

Senator MAGNUSON. I am not saying what it is for. I am saying it would be —— dollars they would have available for expenditure as we phased out.

Mr. SHUFF. We would have to spend it, as it relates to military, sir. What is in here, undelivered for the military program, is already on order, Senator.

Senator MAGNUSON. All right, but there is —— dollars worth of American dollars that they would have available to them if we phased out at the end of this appropriation?

Mr. SHUFF. Yes, sir.

Senator MAGNUSON. I am not saying that is right or wrong. I cannot get simple answers on it.

## PRESENT STATUS OF KOREAN ECONOMY

Senator ELLENDER. Mr. Chairman, it was my privilege to visit Korea back in 1946 and since that time I have visited it on seven or eight occasions. I never saw such prosperity from 1946 up until now. Korea has never been as prosperous as she is now.

The two divisions of American soldiers stationed there also contribute much to the economy of Korea.

Senator DWORSHAK. What does it cost us to maintain those divisions?

Senator ELLENDER. I do not know.

Admiral O'DONNELL. I don't know offhand, but I will get an answer.

(The information being classified is in the committee files.)

## POWER RATES

Senator ELLENDER. I notice that the loans already committed by DLF aggregate \$17,740,000 and among these is one for the Chungju powerplant designing and engineering, \$1.5 million.

Are you familiar with that, Mr. Murphy?

Mr. MURPHY. No, sir; I am not.

Senator ELLENDER. Anybody from Development Loan Fund here?

Mr. MURPHY. No, sir; but they will be up tomorrow, Senator.

Senator ELLENDER. Now there is an application pending for a loan for ——— dollars to build the plant in Korea before the planning has been completed. Are you familiar with that?

Mr. MURPHY. I knew there was a loan application, Senator; I don't know what its exact status is.

Senator ELLENDER. All this is in the face of the fact that they do not pay sufficient rates in order to amortize these plants. That is what I will bring out tomorrow.

## EXPENDITURES IN KOREA SINCE 1946

Now, to sum up, we have been in Korea since 1946. Can you tell us how much money we have spent in Korea through 1959?

Mr. MURPHY. Under the military assistance program the cumulative deliveries through June 30, 1959, amounted to ———.

On nonmilitary side, they were \$1.4 billion.

Under Public Law 480 the cumulative program through fiscal year 1959 was 166.8.

Senator ELLENDER. In 1960, you have programed ——— dollars under Public Law 480.

Mr. MURPHY. That is the proposal.

Senator ELLENDER. And we keep pouring it in ad infinitum.

Mr. SHUFF. Before we leave Korea, while we have been talking——

Senator MAGNUSON. We are not leaving, we have not got out of there yet.

Mr. SHUFF. I thought Senator Ellender was going to another country.

## THREAT IN KOREA

I think it must be mentioned that we have a pretty pernicious threat in Korea which is the motivating force for a lot of this that we are talking about.

If we did not have the threat we would not need this. I would like to set the record straight on that subject.

We have no peace in Korea. We only have a pro tem armistice. We are attempting and with some rather material success to train ——— Koreans to stand guard on that border, and if we did not have this threat why, we would not need a lot of things we are talking about here.

(Discussion off the record.)

#### USE OF DEFENSE SUPPORT GRANTS

Senator ELLENDER. There is one question I would like to direct to Mr. Murphy.

As I recall, in Pakistan, in Turkey, and in Greece, defense support grant aid funds are not being used to finance any type of project assistance.

Mr. MURPHY. That is correct.

Senator ELLENDER. In other words, all defense support aid to these countries is used to finance import of commodities or so-called nonproject assistance?

Mr. MURPHY. That is right.

Senator ELLENDER. Why does not the same thing apply to countries that we are talking about now, that is Taiwan, Korea, and others?

Mr. MURPHY. I think perhaps Dr. Moyer is better qualified to answer that.

Mr. MOYER. I would like to start by agreeing that I also think this is a very important subject. My guess is that in the early days of the program in Greece we also helped on the project side to rebuild the country and get its plants in operation.

I am reasonably certain that that is true.

In these countries we are also dealing with the earlier stages of their development, of their independence, and recovery since the war.

Senator ELLENDER. But these countries have never had what you are now talking about previously, whereas Greece may have had.

Taiwan, for instance, was never a manufacturing country, yet we made it so.

#### WORK OF DEVELOPMENT LOAN FUND

Mr. MOYER. We are proposing and have been doing this for two principal reasons. Let me first talk about the Development Loan Fund in connection with this.

As I said before, we do expect the Development Loan Fund to play an important part. We are expecting that the assistance they can get from the Development Loan Fund will help them get beyond dead center and gradually increase their ability to take care of themselves.

Now, why does not the Development Loan Fund take care of all their needs?

Well, we just think to expect that over a period of years, and it would take a period of years to accomplish this, loans for the total amount required is just not investment on a sound basis. They do not have the internal revenues, they do not have the foreign exchange earnings. We think that to accommodate all of that under the Development Loan Fund, we perhaps could get the loans, they might accept them for the time being, but my own view is that to take care

of all these needs under the Development Loan Fund this would not be sound financing.

Senator ELLENDER. I am not even suggesting that. But these present grants ought to be decreased somewhat in proportion to the loans being made.

(Discussion off the record.)

Senator ELLENDER. That is because you have run out of projects. That is one of the reasons. I can tell you that. You have been there 10 years. I do not see how you can find any projects in Taiwan which will justify themselves, nor will you find them in Korea. The Japanese, as long as they were there, were never able to find anything of any importance.

But we go there with American dollars; whether it pays or not, we proceed.

Mr. MOYER. The point I was making was that since the Development Loan Fund in Korea as an example, we have cut down the amount available for project assistance.

#### SITUATION IN TAIWAN

Senator ELLENDER. Now, I would like to bring in Taiwan. I have been there many times. The prosperity on that island is just simply unbelievable compared to what it used to be.

(Discussion off the record.)

#### FUNDS FOR SHIHMEN DAM

Dr. Moyer, that is on page 47. Do you know the details on that?

Mr. MOYER. I am not sure without consulting the records precisely to which of the projects this applies.

Senator ELLENDER. As I remember, on the Shihmen Dam we agreed to contribute \$13 or \$14 million in 1955 when the cost of that dam was to be \$42 million. Now the cost has gone up to \$72 million, and we are going to loan an additional \$21.5 million from the Development Loan Fund.

Mr. MOYER. None of this here is for that dam, Senator.

(Discussion off the record.)

Senator ELLENDER. I would guess that you will have something left over for the Shihmen Dam.

Mr. MOYER. No, sir.

#### POWER RATES IN TAIWAN

I also would like to comment on rates in Taiwan. We are in a much better situation as far as rates are concerned.

(Discussion off the record.)

Senator ELLENDER. Is that a steamplant?

Mr. MOYER. This is hydro.

Senator ELLENDER. How will you extend it?

Mr. MOYER. I am afraid, Senator, I cannot give you the kind of details you like.

In general we have been helping along the lines of expanding hydro.

There have been certain steamplants. We also have been helping with the distribution system. That amount is distributed among these types of development.

Senator ELLENDER. All those are existing plants?

Mr. MOYER. I would not say for sure, but I think so, Senator Ellender.

Senator ELLENDER. Why do you not know? Is there anybody here who knows? You obtained these figures from the field, I suppose.

Mr. MOYER. Yes, sir.

Senator ELLENDER. You never personally inspected any of this?

Mr. MOYER. Well, I am one of the guys that is limited when it comes to remembering and going into all the details. I am sorry I cannot answer that.

I can supply that for the record.

(The information being classified was placed in files of the committee.)

(Discussion off the record.)

#### POWER RATES

Senator ELLENDER. Now, you say it has been improved. To what extent has it been improved?

Mr. MOYER. This year the Government of China on Taiwan did two things: This issue was raised specifically somewhat along the lines that you have been discussing. There came the question as to whether or not we would put more money into power without adequate provision for proper rates.

Two years ago we reached a general agreement with the Government that there would be an annual review of rates in line with developments to see that the rates were adequate to cover not only the operating cost, but also interest on loans, amortization, depreciation, and that sort of thing.

Senator ELLENDER. That is just a review. What has been accomplished is what I would like to know.

Mr. MOYER. Two things have been accomplished. By the time we reached agreement with the Executive Yuan on what was to be done, there was insufficient time left for the Legislative Yuan to take the necessary action before adjournment, so the Government transferred to the account of the power companies out of revenues that it had received enough to provide for these different things.

Senator ELLENDER. You mean for the difference in cost of production and what they really got?

Mr. MOYER. I mean for cost of production, depreciation amortization of debt, and reasonable return on investment.

Senator ELLENDER. How much of that is counterpart; do you know?

Mr. MOYER. None of this was counterpart. It is what they called a defense surtax. They collect for defense purposes a surtax on electric power. This is their surtax collected in fiscal year 1959.

Senator ELLENDER. Instead of using it for defense you say they used it to pay the difference which should have been collected from the consumers of electricity?

Mr. MOYER. As I mentioned, by the time measures were agreed upon, it was too late to get legislative action before adjournment.

The second thing they did, the executive branch of their Government agreed that they would, as soon as possible, request the Legislative

Yuan to raise power rates commensurate with the various requirements which I have previously mentioned.

Senator ELLENDER. If you told them you were not going to get them a dime of this ——— dollars you would get some action.

#### DESTINATION OF RATES PAID

Senator MAGNUSON. Where does that money go that they pay; back to us?

Mr. MOYER. That goes to the power company itself, which is expected to take care of these various obligations.

Senator MAGNUSON. Obligations to whom? We are giving them the money. Who are the obligations to?

Senator ELLENDER. Do you not have a holding company there in which the Government has most of the stock?

#### TAIWAN POWER CO.

Mr. MOYER. There is what they call the Taiwan Power Co. In this case I believe, and I will check this for the record, that most, if not all of this equipment in the past was provided on a loan basis because prior to the present we gave a part of the aid to Formosa on a loan basis so that in that case it would be coming back to this country. (The information referred to follows:)

#### OUTSTANDING OBLIGATIONS OF TAIWAN POWER CO. RELATING TO U.S. ECONOMIC ASSISTANCE

A total of \$69 million equivalent is outstanding on supply contracts covering imported equipment for hydroelectric and thermal power stations and for transmission and distribution systems of the Taiwan Power Co. Under these supply contracts, Taiwan Power Co. is obligated to pay to the Chinese Government the local currency equivalent of the U.S. dollar value of the imported equipment in installments over a period of from 20 to 30 years together with interest at 5 percent per annum. The local currency payments are deposited by the Chinese Government into the counterpart fund and are used for military or civilian purposes, upon joint approval of the Chinese and United States Governments.

In addition, a total of NT\$1,127 million (approximately the equivalent of \$30 million) is outstanding on loans from U.S. aid-generated local currency (U.S. owned and counterpart) for construction, installation, and other local costs connected with Taiwan Power Co. projects. These loans are repayable in installments over a period of from 20 to 30 years, together with interest at 12 percent per annum. The major portion of the repayments (which apply to loans made from U.S. owned local currency) are deposited initially into a Chinese-owned account, and are subsequently withdrawn as needed to meet installment payments due on U.S. loans to China from defense support funds. The remainder of the repayments (which apply to loans made from counterpart) are deposited into the counterpart fund.

#### OWNERSHIP OF POWER COMPANY

Senator MAGNUSON. If they raise the rates, the rest of it goes to this development company?

Mr. MOYER. It would take care of the depreciation, maintenance——

Senator ELLENDER. Tell us who owns the power company in Formosa. How much does the Government own in it?

Mr. MOYER. This is a Government-controlled company, Senator.



(The information referred to follows:)

*Taiwan Power Co.—Stock ownership (a Chinese Government-controlled corporation)*

Total capital stock outstanding, common stock.... 40 million shares.  
 Book value..... NT\$50 per share.<sup>1</sup>  
 Market value..... NT\$49.50 per share.

<sup>1</sup> NT\$36=US\$1.

NOTE.—No market transactions pending adjustment of present power rate upward.

| Stockholders  | Number shares | NT\$ value    |
|---|---------------|---------------|
| Chinese Nationalist Government, Central Government (1)..... | 23,211,674    | 1,160,583,700 |
| Taiwan Provincial government, Province of Taiwan (1).....   | 13,090,153    | 654,507,650   |
| Government institutions (3).....                            | 1,521,945     | 76,097,250    |
| Semi-Government institutions (8).....                       | 571,118       | 28,555,900    |
| Private institutions (11).....                              | 573,975       | 28,698,750    |
| Private individuals (1,649).....                            | 481,135       | 21,556,750    |
| Total 1,071 shareholders, total shares.....                 | 40,000,000    | 2,000,000,000 |

#### FACTORY TO BUILD METERS

Senator ELLENDER. It is controlled by the government, I know, but you also have quite a few rich Chinese as stockholders, as I understand. I did not get their names when I was there because I could not find anyone who knew their names.

In that connection, as I remember, there was a rich Chinese there who put up a factory to build meters; is he still in operation?

Mr. MOYER. That I do not know, sir.

To begin with, of course, a lot of these facilities are ones which the Japanese had, so that the Government took them over.

Senator ELLENDER. That was just a pittance of the electricity now being generated on the island; you know that?

Mr. MOYER. There was a substantial amount, although it has been expanded very greatly.

(Discussion off the record.)

Senator ELLENDER. Now, I am satisfied that if the people there would pay a rate sufficient to amortize these facilities you would not have to give them ——— this year. Do you agree with that?

Mr. MOYER. It would help. They would still have the problem of getting dollars for their imports.

Senator ELLENDER. Development Loan Fund could handle this. You are only getting ——— for imports.

What I am talking about now is project assistance.

#### NEED FOR REQUESTED FUND FOR OPERATIONS

Senator MAGNUSON. Does anyone believe in this program that if you did not appropriate any more money to the Taiwan Power Co., or the railroad company, that they would not continue to operate the way they are operating now in serving the people in Taiwan?

Mr. MOYER. I don't believe that they could continue to meet the new needs.

Senator MAGNUSON. What are the new needs?

Mr. MOYER. Expanding industry takes care of a large part of it. Around 70 percent of all the power generated——

Senator MAGNUSON. You do not believe they could do that, themselves, with all that we have given them for capital investment?

Mr. MOYER. I don't believe so, sir.

Senator MAGNUSON. Then we will never quit.

Mr. MOYER. It is a question of the foreign exchange.

#### RELATIONS WITH BRITISH GOVERNMENT

Senator MAGNUSON. Wait a minute. They are doing more business with the British down there. Why can the British not do a little of it in exchange?

Mr. MOYER. We are pleased with every improvement they make, but they are still short in this trade balance in the neighborhood of \$90 million a year.

Senator MAGNUSON. I understand that because they are looking to us.

The British make some bids to the railroad people for locomotives.

Mr. MOYER. With their money?

Senator MAGNUSON. Let the Taiwan Government and the British Government negotiate some of these things. The British want to sell them locomotives. They say, oh no, America is going to give us some. When they do somebody in Hong Kong gets a cut on it. I will make an even wager on that.

Mr. MOYER. With our funds?

Senator MAGNUSON. Sometimes with our funds.

If I had the time I would prove it to you.

Mr. MOYER. We would certainly be interested in any such information.

#### ASSUMPTION OF RESPONSIBILITY

Senator MAGNUSON. I do not think you people have the time to do all this, either. You have to say to them sooner or later "You have to run these two things yourselves. We have given you a real start."

We have given them a real start on their hydro program. As a matter of fact, their hydro program is so much better than it was even when the Japanese were trying to develop it and they handled it themselves.

Senator ELLENDER. There is no comparison.

Senator DWORSHAK. Maybe that will engender good will toward our country.

Senator ELLENDER. It just shows you that our good people out there do not seem to try to consider the impact that all of these loans and gifts have on our own economy.

I think it is terrible.

As I have often said, I am confident neither the people of Korea nor the people of Taiwan could come before this committee and justify the amount they are asking, it is our own people who do it.

#### STATISTICS ON CHINESE ARMY

Senator MAGNUSON. I would like to have in the record the average age of the army.

Mr. MURPHY. Admiral O'Donnell has that. I believe it is 26 years.

Admiral O'DONNELL. It is around 26 years, Senator.

Senator MAGNUSON. How many are Formosans?

Admiral O'DONNELL. Thirty-three percent.

Senator MAGNUSON. They are the younger group; are they not?

Admiral O'DONNELL. Generally; yes. I would say they would pull the age down.

#### VALUE OF QUEMOY AND MATSUS

Senator MAGNUSON. Now, I want to ask this question: In your presentation you say the joint communique issued by President Chiang and Secretary Dulles on October 23:

Recognized that under present conditions the defense of Quemoy together with the Matsus is closely related to the defense of Taiwan—

and the other islands, the fishing islands.

Did the military participate in that decision?

Mr. MURPHY. What page are you reading from?

Senator MAGNUSON. I am reading from page 39 of your presentation here.

Admiral O'DONNELL. The military supports that decision, yes.

Senator MAGNUSON. Does the military believe that the Quemoy and Matsus are significant to the defense of Taiwan or do they believe they are significant for a possible invasion of the mainland?

Admiral O'DONNELL. In the case of Matsu, and Quemoy, these are the two larger groups, the latest responsible military information that we have, our advice from the Joint Staff, is that they are of significance to the defense of Taiwan. ———.

Senator MAGNUSON. In coming to that conclusion, is there any plan in which the defense of Taiwan would be linked to Quemoy and Matsus, any military plan?

(Discussion off the record.)

#### FUNDS FOR RETIRED SOLDIERS

Senator ELLENDER. If you recall, 2 or 3 years ago, I raised the issue about using these funds to help out the retired soldiers. As I remember, there was \$42 million used for that purpose.

How much of that has been spent?

Mr. MURPHY. I believe it has all been spent at this point. Dr. Moyer will have to address himself to that question.

Senator ELLENDER. How much have you spent all together, Doctor?

Mr. MOYER. There may have been some small amounts unsent.

Senator ELLENDER. Out of the \$42 million?

Mr. MOYER. Yes, sir.

Senator ELLENDER. Have you any money in this bill for that purpose?

Mr. MOYER. No, sir.

Senator ELLENDER. Does the local government take care of it?

Mr. MOYER. By agreement they are taking care of it from here on.

(Discussion off the record.)

Mr. MURPHY. We have never used funds for purposes of annuities or compensation to retirees. The \$42 million that Senator Ellender is speaking to is for some projects that were designed to put people to work after they got out of the army, but we did not pick them up on any retirement payroll; we never have and have no intention of doing so, in fact, the legislation prohibits it.

Senator ELLENDER. You were about to do it when we nipped it in the bud.

Mr. MURPHY. There were no plans.

Senator ELLENDER. Listen, I talked to the ICA head there. They wanted to do it, but we changed it. You did assist them by providing them a place to live and a place to earn a living. That is right; is it not?

Mr. MURPHY. I don't know about the place to live, but certainly the earning of the living is correct; yes, sir.

Senator ELLENDER. I am not going to go further into these Development Loan Fund loans, Mr. Chairman, because I understand Mr. Dillon will be here tomorrow and you folks are not very familiar with their application in those areas.

#### REQUEST FOR SUMMARY OF FUNDS

Mr. Chairman, I would like to have placed in the record the amount of money spent for all types of assistance including the unexpended balances for the Far East area.

Will you put that in the record for us?

Mr. MURPHY. Yes, sir.

Senator MAGNUSON. Now, this is all we have spent, all that is in the pipeline, all that we have ever spent and if we cut it out that is what will be left?

Senator ELLENDER. That is right. That is the reason for my question.

(The information referred to appears on p. 781.)

#### VIETNAM

Senator ELLENDER. Mr. Chairman, I do not expect to go into the other countries, but I would like to cover Vietnam.

(Discussion off the record.)

#### PROJECT SUPPORT

Senator ELLENDER. As to the project support, why could that not be provided under the Development Loan Fund proposal?

Mr. MOYER. Senator Ellender, the reasons are the same that I gave in the case of other countries. We expect the Development Loan Fund to pick up certain parts of the needs for capital investment, but we are helping.

(Discussion off the record.)

Senator ELLENDER. Now, why should we put cash in that when we are sustaining an army of ———.

Admiral O'DONNELL. ———.

Senator ELLENDER. I missed it by a thousand.

Mr. MOYER. This is a matter which has been gone into in considerable detail. Would Admiral O'Donnell speak to that?

(Discussion off the record.)

#### PURCHASE OF TRACTORS

Senator ELLENDER. Now, as I remember, we have spent quite a few million dollars to buy tractors for that area.

Are these going to go into the tractor pool which was used to take care of the refugees?

Mr. MOYER. Those provided under project aid go into a pool, but it is a different project.

Senator ELLENDER. Who owns the pool?

Mr. MOYER. An agency of the Vietnam Government. This is largely for a project up on the highlands. There is a considerable plateau, there, you may recall—

#### EXPERIMENT STATIONS

Senator ELLENDER. I know that. In that connection you had a high plateau, a lower one, and still a lower one. As I remember, when I was there, you were to put up three experiment stations at those places. Have you succeeded in doing that?

My advice was to put up one good one. What happened? Do you know?

Mr. MOYER. They have a good central station, but there are also substations, as we have in our country.

Senator ELLENDER. In other words, they did not put up three main ones as was proposed?

Mr. MOYER. No, sir.

Senator ELLENDER. You are sure of that?

Mr. MOYER. The central one which I visited just a few months ago is at Saigon. These others are for specialized purposes in different parts of the country.

(The following was later submitted:)

There is one central livestock receiving, breeding, and distribution station in Vietnam, located at Saigon. There are also three substations which are located at Nha-Ho, Hung-Loc, and Tan-Son-Nhut. The main activity, but not the only one at these stations is livestock development work. Crop improvement projects are undertaken also. Livestock activities emphasize demonstrations in pasture improvement and fodder production, disease and parasite control, and improvement of breeding stock for cattle owners.

U.S. aid funds have contributed to improving the facilities and stock of these agricultural stations that were already in existence. In addition to these stations there are also 14 smaller breeding substations where poultry and hog multiplication is underway. These stations, which are only a few acres in size, also distribute chicks and swine directly to farmers.

#### IMPORTANCE OF SETTLING REFUGEES

Senator ELLENDER. All right.

Mr. MOYER. It is believed important for a variety of reasons—partly to get refugees settled, helping to develop that part of the economy—it is a very good place for raising certain kinds of commercial crops which you can't raise on the lowlands—and partly also for security reasons.

This area could readily be infiltrated from other adjoining areas and the government, and our people also, were anxious to get people settled up there.

Now, to clear the land, to get it ready for the settlers, we had to use tractors; and I guess in some cases some bulldozers to clear and plow and get the people settled. These are operated through pools.

I visited one. I talked to our technician, who is there helping to see that proper maintenance and repair were effected. I would not say it was perfect, but he thought it was reasonably good.

As far as I could tell, it was.

Senator ELLENDER. As I remember, the project in the lower part of the country was very good. I said so in my report. It was one in which the people took a lot of interest. But the ones in the north—I presume that a third of the settlers moved out for the reason that the work was different from that in the southern part of the country in that it required a little more work; the grass grew too fast and they could not plant rice as readily as they could plant in the southern part of the country.

Mr. MOYER. There was some adjustment, but they all are now engaged in self-supporting occupations. There is no longer any real refugee element in the country.

#### CONSTRUCTION OF ROADS

Senator ELLENDER. I know, but we had completed that job when I was there and the next step was to build roads. Did you do that? They had a good road at the time. I wrote that in my notes. I wrote a letter to that effect. They had good stone roads connecting these new facilities, but they wanted to take those stone roads and blacktop them.

Mr. MOYER. We did not blacktop them. In fact, we just improved the stone surfaces. But we have found over the last year that the rains and the wind and so on have eroded these roads so badly that we either put an oil surface to hold it, or a slight blacktop, I have forgotten which.

We did try it out without blacktopping, we found we had to improve it somewhat above that.

Senator ELLENDER. How can you justify in the guise of defense support ———.

Mr. MOYER. I certainly do defend it as such and I would like to give you my reasons.

We consider for our project assistance under defense support that one of the important reasons is to help the country take steps to meet some of the needs of its people which will provide a sounder internal situation so they can more readily control the Communist effort at subversion.

This is a very real problem in Vietnam because from the north they are constantly beaming broadcasts telling of progress under communism. In South Vietnam they have got to make progress with some of these basic facilities to counter the effect of that propaganda.

(Discussion off the record.)

Mr. MOYER. We felt, from the point of view of creating an atmosphere where it is more readily easy to control subversion, that it was justified. This is the reason it is there, Senator.

Senator ELLENDER. Mr. Chairman, I do not want to take any more time. I have other questions I would like to ask about the countries in the Near East, but I presume the answers would be along the same lines.

Senator MAGNUSON. They can come back tomorrow.

Senator ELLENDER. No, the others are small. These are the three main ones.

Mr. PARSONS. Since Senator Ellender's questions stemmed originally from the statement I made yesterday, I would like very much very briefly to make a couple of points.

## ELECTRIC RATES ON TAIWAN

One specific one is in relation to the committee's discussion of the electric rates on Taiwan and the defense effort there.

I would like to say first that perhaps some people might have gotten the impression that our people did not go after these problems. I would just like to say that I happened to be on Taiwan this spring when Ambassador Drumwright in my presence discussed the question of electric rates with the vice president of the Republic of China.

I can assure you he went to that high source and he put his case very strongly indeed.

Senator ELLENDER. With what success?

Mr. PARSONS. With the success that Dr. Moyer described.

Senator ELLENDER. But they have not done anything yet.

Mr. PARSONS. They did raise the rates last year and they will be raised again. I am quite confident of that.

I could be proved wrong.

Senator ELLENDER. If you would just hold this money back and say we are not going to give it to you unless you do, I bet you they will do it.

Mr. PARSONS. They will be doing it.

Senator ELLENDER. But do not let them have the money until they do it?

## MILITARY EXPENDITURES

Mr. PARSONS. Now, I would like to point out in this connection that the military expenditures funded out of Taiwan's resources absorb a larger share of Taiwan's gross national product than U.S. defense expenditures take out of the U.S. gross national product.

China's defense effort in other words, in terms of economic capacity, is the highest in the Far East and perhaps in the world.

So if there is not as much collected as should be collected on electric power rates to assure that being a sound economic proposition, they are collecting a great deal for the defense effort.

Now, I would like to go to a broader subject——

Senator MAGNUSON. Because that is practically the whole business on Taiwan. That is the biggest business on the island?

Mr. PARSONS. The biggest industrial business?

Senator MAGNUSON. It is the biggest part of all their gross national product on their whole island.

Mr. PARSONS. I would like to submit figures on that, Senator. I could not answer you off the bat, but I have seen the oil refineries, the dockyards, and other industrial plants in southern Taiwan and activities in addition to the large scale——

Senator MAGNUSON. How many people are under arms in Taiwan?

Mr. PARSONS. About ——.

Senator MAGNUSON. What is the population?

## RELATIONS OF TOTAL FUNDS AVAILABLE TO REQUESTED AMOUNTS

Mr. PARSONS. Close to 11 million, I think.

Now, in relation to the committee's discussion of the total amount of funds available in those countries if the amounts requested are appropriated this year, and the question of whether, with those availabilities being there, there should not be a drastic cut, I do know that

this committee has a very clear understanding of the political and psychological factors involved.

But I would just like to add as a statement in my capacity as a representative of the State Department that any drastic change in our aid policies in these divided countries where there is a situation of armistice or suspended warfare, would have the most serious effects in undermining the government of the country and the whole psychological attitude of the people.

Any thought that the United States no longer stood behind those people whom we have supported thus far could have reactions which I hesitate to predict.

Senator ELLENDER. Nobody is suggesting that, sir. Just a little cutback is all we are suggesting. Make them produce more on their own; that is all, and it will be healthier for them as well as ourselves.

(Discussion off the record.)

Mr. PARSONS. I think we have tried very hard to study the reactions of the peoples and the attitudes there.

Now, I am very glad to hear what Senator Ellender just said, because any drastic reduction would certainly give the Communists the cheapest possible victory they could have in the area and it would also show the people that in these very situations, with the Communists never giving up, that we are the people who were ready to give up, that we don't stay with problems all the way through.

(Discussion off the record.)

Senator MAGNUSON. Thank you very much.

#### LETTER FROM AMBASSADORS TO SECRETARY

Mr. PARSONS. For the record I would like to submit a letter dated April 17, addressed to the Secretary of State by the Ambassadors of the United States to the 13 countries in the Far Eastern area. This letter relates to the importance of the Development Loan Fund and the supplying of adequate resources for continued progress in those countries.

I should add that this letter was not solicited by myself at that conference, or by any other official of the Department of State.

It reflects instead the common concern of the Ambassadors to assure adequate support of a program for mutual security in the Far East.

(The letter referred to follows:)

AMERICAN EMBASSY,  
Manila, Philippines, April 17, 1959.

Hon. CHRISTIAN A. HERTER,  
Acting Secretary of State,  
Washington, D.C.

DEAR MR. SECRETARY: At the conference of chiefs of U.S. missions in the Far East, held in the Philippines, from April 14 to 17, we have reviewed the problems affecting its national security which the United States currently faces in Asia. We are unanimous in our conclusions.

The United States shares with the countries of free Asia the goal of a society in which men can make economic and social progress in freedom. The peoples of free Asia, like people everywhere, seek an opportunity for a better life. They expect their own governments to lead the way to economic improvement. If their present governments do not meet these expectations, the people may well succumb to Communist subversion and false promises.

It is our conviction that these governments cannot achieve their goal unless the United States, with the participation of other free world nations, helps the less developed countries with long-term capital.



The governments of many of these countries lack the financial resources and technical skills required to initiate, without assistance, self-sustaining economic growth. They do not wish to be dependent upon external aid for the indefinite future. They are utilizing their own resources but they hope for enough help to enable them to move along on the road to real progress. To a large extent this assistance can best be in the form of loans from the Development Loan Fund; in a few cases the requisite aid may have to be on a grant basis until the country has made enough economic progress to qualify for loans.

Defense support coupled with the military assistance program is permitting many Asian countries to maintain the armed forces necessary for internal security and for the protection of their frontiers. Technical assistance is helping them to develop their human resources and their technical skills. But, important as are these and the other types of assistance now being provided, they do not provide the capital required for real progress. This is the purpose of the Development Loan Fund, which it has already begun to fulfill.

The stable, progressing societies we hope for in free Asia will develop as the people of these countries gain faith in their own future. Through aid for economic progress, the United States can help them achieve that confidence. We are convinced that the next few years are the most critical ones and that the provision of adequate funds for this type of economic aid is of the highest priority. We most earnestly hope that the Congress will support the mutual security program and concur in the President's request for augmenting the resources of the Development Loan Fund.

Respectfully yours,

Charles E. Bohlen, Ambassador to the Philippines; U. Alexis Johnson, Ambassador to Thailand; Douglas MacArthur II, Ambassador to Japan; Francis H. Russell, Ambassador to New Zealand; Homer M. Byington, Ambassador to the Federation of Malaya; Everett F. Drumright, Ambassador to China; William J. Sebald, Ambassador to Australia; Walter C. Dowling, Ambassador to Korea; Elbridge Durbrow, Ambassador to Vietnam; Walter P. McCaughy, Ambassador to Burma; Howard P. Jones, Ambassador to Indonesia; Horace H. Smith, Ambassador to Laos; William C. Trimble, Ambassador to Cambodia.

#### COMMUNICATIONS

Senator MAGNUSON. The committee has received several letters and statements with respect to this appropriation bill which I will insert into the record at this point.

(The information referred to follows:)

U.S. SENATE,  
COMMITTEE ON LABOR AND PUBLIC WELFARE,  
August 18, 1959.

HON. CARL HAYDEN,  
Chairman, Senate Committee on Appropriations,  
Washington, D.C.

DEAR MR. CHAIRMAN: I strongly urge that you give sympathetic consideration to an amendment proposed by Senator Humphrey to the mutual security appropriation bill to provide the equivalent of \$50,000 in foreign currency for planning funds for the American Research Hospital for Children in Poland. As you know, the Congress provided for medical research centers to be eligible for counterpart funds in the mutual security authorization bill with this particular center in mind.

The planning of this American Research Hospital for Children is the result of a great effort on the part of a group of private citizens, from all conceivable occupations, who have donated time, money, and energy to making the hospital a reality. The Committee for a Children's Hospital in Poland has members from the medical, legal, architectural, political, and journalistic professions. A great deal of initial planning and groundwork for the project has been done through these privately donated funds and the efforts of the committee.

The members of this committee strongly hope that the project could be completed to coincide with the 600th anniversary of the University of Krakow in Poland in 1963. The \$50,000 equivalent requested at this time for the project is urgently needed if the hospital is to make any progress this winter. Preliminary architectural drawings have been completed and have been donated to the

project by an American architect, but the project will be delayed unless some of the authorized funds are made available to it this winter. The committee will continue to enlist private dollar support. However, it is expected that over and above private donations of material, money and services, a total of 2.5 million will be needed from Government sources. The first modest part of that sum, \$50,000, is needed almost immediately because preparations must be made this winter if actual groundbreaking and construction are to begin in the spring, enabling the project to be completed on time.

I feel the hospital itself will be of great benefit to the United States for the following reasons:

Poland is a Communist country, but it is not firmly in the Soviet camp. As seen dramatically by the recent visit of the Vice President to Poland, the West has a reservoir of goodwill and Polish interest which has not been fully utilized. Certainly this visit by the Vice President was extremely important in boosting friendly feeling and signifying our concern for the people of Poland, but it is a temporary step. What is needed is a continued symbol of the real American willingness to help the people of Poland. To my mind, there is no better expression of friendship imaginable than the donation of hospital facilities for children. The value of such a project would not be measured in column inches of newspaper, but in the countless families grateful for adequate treatment for their children. The hospital would represent a permanent and practical symbol of our desire to aid the people of Poland, and of our concern for the welfare and well-being of the peoples of the world.

This hospital would further be a particularly fitting investment for the United States to make in Poland. The facilities for treating children's diseases and caring for children are almost nonexistent in that country, and such a hospital would fill a desperately needed gap in its hospital system. The seriousness of this situation has been concretely demonstrated in the offers by the Polish Government to pay the transportation cost of materials purchased or donated from other countries, and in their strong attitude of cooperation with the committee in drawing up plans and recommendations for the hospital. The Polish Government has indicated that they will do everything possible to assure the success of the project.

The proposed completion date was chosen for a significant reason. The University of Krakow is the second oldest university in Europe and as such, is a source of continual pride to the Polish people. Its 600th anniversary in 1963 is expected to be met with a great deal of national attention and well-wishing. If the hospital can be dedicated in conjunction with this anniversary, its innate merits will be amplified manyfold because of the attention which such an occasion will draw forth.

I would like to stress my strong feeling that in terms of our overall expenditures, the amount of money requested for this project is small in proportion to the ultimate benefit to the United States—especially when compared with many of the other foreign assistance programs in which this country is engaged. The outpouring of support—financial and otherwise—from private citizens in this country for the hospital, I feel, indicates the tremendous amount of support which this project can be expected to continue to draw, in this country and in Poland.

With such a history in mind, I am greatly concerned by the action of the House of Representatives in deciding not to appropriate any money under section 400c of the mutual security bill, and therefore leaving this hospital with little more than congressional blessing. The interests of the economy can, I believe, be better served by paring elsewhere, than by absolutely refusing to provide any funds for a project which demands so little and which has shown so much merit.

I sincerely hope that the committee will have this project in mind when you meet to consider appropriations under section 400c of the bill, and will allow the hospital enough funds to make a small start this winter.

Sincerely,

HARRISON A. WILLIAMS, Jr.

HOUSE OF REPRESENTATIVES,  
Washington, D.C., August 6, 1959.

HON. CARL HAYDEN,  
Chairman, Committee on Appropriations,  
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN HAYDEN: I would like to urge your favorable consideration of an amendment offered by Senator Humphrey to section 400(c) of H.R. 8385, the mutual security appropriation bill, to make available the equivalent of \$50,000

in local currency for the purpose of planning the construction of the proposed American Research Hospital for Children in Poland.

These funds are necessary to begin the process of implementing section 400(c) of the Mutual Security Authorization Act of 1959 (Public Law 86-108), which authorizes the use of local currencies for the purpose of supporting hospitals abroad, "designed to serve as centers for medical treatment, education, and research, founded or sponsored by citizens of the United States."

The proposed American Research Hospital for Children in Poland is the first undertaking contemplated under the above section. A national committee of outstanding Americans has been organized some time ago to raise funds and in other ways to promote the realization of this humanitarian project. The initial plans for the hospital have been drafted, and negotiations leading to the construction of this project have been initiated. Further, I received a commitment from one of the ranking members of the House Appropriations Committee (pp. 13236-13237 of the Congressional Record) that requests for the appropriation of Polish zlotys for this hospital will receive sympathetic consideration from that body.

As the sponsor of section 400(c) of the Mutual Security Act of 1959, I am deeply interested in the American Research Hospital for Children in Poland. A small initial appropriation, of the type suggested by Senator Humphrey, would enable the sponsors of this project to move ahead during the next few months. I sincerely hope that your committee will give favorable consideration to Senator Humphrey's amendment, so that the hospital may be completed in time for the 600th anniversary of the University of Cracow, Poland, in 1963.

With best wishes, I am,  
Respectfully yours,

CLEMENT J. ZABLOCKI,  
*Member of Congress.*

NATIONAL COUNCIL OF JEWISH WOMEN, INC.,  
*Washington, D.C., August 18, 1959.*

HON. CARL HAYDEN,  
*Chairman, Committee on Appropriations,  
U.S. Senate, Washington, D.C.*

DEAR SENATOR HAYDEN: Since it is impossible for us to appear in person I am enclosing our statement in support of appropriations for the mutual security program.

May I request that this statement be included in full in the record.

Sincerely yours,

MRS. SAMUEL BROWN,  
*Chairman, National Committee on Public Affairs.*

NATIONAL COUNCIL OF JEWISH WOMEN,  
*New York, N.Y.*

STATEMENT IN SUPPORT OF APPROPRIATIONS FOR THE MUTUAL SECURITY]  
PROGRAM, AUGUST 18, 1959

The National Council of Jewish Women views with concern the cuts made by the House in the appropriations for the mutual security program. One of the major interests of the organization, which was established in 1893, and now has 110,000 members in 240 communities throughout the country, is to promote effective international cooperation. For many years now, since the creation of the Marshall plan and even as far back as the lend-lease program, council members have supported foreign aid as in the best interests of the Nation. But we have felt the need to reexamine the mutual security program and determine whether it does indeed serve the national interest. What we have attempted to do is provide our members with material and information so that they could determine for themselves the validity of our organization's support of this program. They have reached the conclusion that it is in the best interest of the Nation. Therefore, at our recent biennial convention the delegates voted to continue to "urge the U.S. Government to expand its program of technical and economic assistance to the underdeveloped countries so that they may achieve the economic and social standards that are necessary to human dignity."

The support of our members is not merely confined to statements and resolutions. The National Council of Jewish Women, as a voluntary organization has spent about \$3¼ million on its oversea program of assistance to about 15 countries since the program was established in the fall of 1945. The program has emphasized scholarships for graduate training of personnel in the fields of social work, special education, teacher education, graduate nursing, psychology, and rehabilitation services. Under this program we brought to the United States some 150 men and women for study at our universities so that they may acquire skills in these fields and then use the knowledge for the benefit of their own people when they return to their own countries. Our oversea program of assistance also includes the support of the School of Education of Hebrew University in Jerusalem by an annual grant of \$48,000 per year. In addition, our members have sent educational play materials to children in some 15 countries.

This is the way we feel we can make our small contribution to economic development with the limited resources available to us. We cite our activities here merely to illustrate how strongly our members believe in the validity and importance of aid to other countries, strongly enough to be willing to contribute their own funds and efforts.

At the hearings of the Senate Foreign Relations Committee several witnesses were asked about the attitude of the members of their organizations toward increased taxes should they be necessary to provide an increased program of economic aid. This question was carefully reviewed by our members and they expressed their willingness to make whatever sacrifices are required in the following statement adopted at our convention in February of this year:

"\* \* \* We cannot afford to be frightened by the bugaboo of an unbalanced budget. Recognizing that sound fiscal policies are essential, we believe that they must encompass the services required for the Nation's strength and well-being. As citizens, we are willing to make whatever sacrifices are required—including pocketbook sacrifices—for the future of our country."

In view of the attitude of our members we feel justified in urging your committee to appropriate the authorized funds for the economic and technical aid programs, which are of major concern to our organization.

We are particularly concerned with the reductions of funds made by the House for the Development Loan Fund and the technical assistance program. In our testimony before the Foreign Relations Committee we urged that the authorization for the Development Loan Fund be increased to \$1½ billion a year over a period of 5 years. We supported such a proposal in the belief that the Development Loan Fund is one of the important tools in helping countries help themselves, and that it is becoming a major factor in the economic development field. The backlog of loan applications for \$1,547 million demonstrates the need for more adequate appropriations. Experience indicates that effective economic development can be achieved only through long-range planning. The President's Committee To Study the U.S. Military Assistance Program in its third interim report, issued July 13, 1959, points out that: "Development programs are necessarily of a long term nature. Participating countries must make plans and commit their limited resources to such programs and are often reluctant to do so unless there is a reasonably assured source of financing for the program as a whole. As long as the authorization and funding for Development Loan Fund operations are on an annual basis, projects must be undertaken without knowing whether financing will be available for later closely related projects." In view of this the mutual security authorization, as it relates to the economic aid program, is a bare minimum and the action of the House seriously undermines the usefulness of the program.

The reduction of funds for the technical cooperation program made by the House is equally disturbing. Technical assistance is an important part of any economic development program in that it helps the less developed countries to overcome shortages of highly trained personnel. It is fairly obvious that manpower is an essential element in an economic development project, and it has been observed that a lack of trained personnel often constitutes a more limiting factor than a lack of necessary capital. The \$179.5 million included in the authorization for technical cooperation would continue the program at about the present level without making any allowance for expansion of this very important aspect of the economic development of the less developed nations. The cut of \$29.5 million made by the House constitutes a serious impairment of the program and should be restored.

We respectfully urge your committee to appropriate the funds authorized by the Congress.

**BEST AVAILABLE COPY**

## STATEMENT BY SENATOR HENNINGS ON H.R. 8385 (THE MUTUAL SECURITY APPROPRIATION BILL)

Mr. Chairman and members of the committee, I would like to submit for the record the following statement on H.R. 8385, dealing with appropriations for mutual security and related agencies for the fiscal year ending June 30, 1960, and for other purposes.

While I am a strong supporter of the concept behind the mutual security program and feel that sufficient funds should be appropriated to enable the program to be carried out efficiently and effectively, it is to section 113 of H.R. 8385 that I would like to direct my present remarks.

Section 113 of H.R. 8385 proposes that "none of the funds herein appropriated shall be used to carry out any provision of chapter II, III, or IV of the Mutual Security Act of 1954, as amended, during any period when more than 20 days have elapsed between the request for, and the furnishing of, any document, paper, communication, audit, review, finding, recommendation, report, or other material relating to the administration of such provision by the International Cooperation Administration, to the General Accounting Office or any committee of the Congress, or any duly authorized subcommittee thereof, charged with considering legislation or appropriation for or expenditures of the International Cooperation Administration and the Department of State." This section does not apply to the provisions of the Mutual Security Act of 1954, as amended, dealing with military assistance.

Section 113 was added to H.R. 8385 under an amendment offered on the floor of the House of Representatives by Representative Hardy, of Virginia. It was adopted by the House without opposition. Very simply, its purpose is to resist further encroachment on the legislative powers of the Congress by continued misuse of the so-called doctrine of executive privilege, under which the International Cooperation Administration has refused on a number of occasions to supply the General Accounting Office and various congressional committees with copies of certain evaluation reports dealing with the administration and operation of the mutual security program.

Mr. Chairman, I wholeheartedly endorse the purpose of section 113, and I urge this committee to include its provisions in any mutual security appropriations bill ultimately reported to the Senate by the committee.

As chairman of the Senate Constitutional Rights Subcommittee I had have occasion to study in great detail the use of the so-called executive privilege doctrine as authority to withhold information from the Congress, and, frankly, I am alarmed at the widespread and practically uncontrolled use of this doctrine in recent years to improperly deny to the Congress information which the Congress needs in order to fulfill its constitutional duties.

The Subcommittee on Constitutional Rights has been making a broad survey of the information practices of the Federal Government, and has concerned itself particularly with the degree to which information about the activities of executive departments and agencies is available to both Congress and the public.

In 1956 and 1957 the Constitutional Rights Subcommittee made a comprehensive survey of the committees and subcommittees of the Senate, as well as the various executive departments and agencies, including the so-called independent agencies, in an attempt to determine how widespread was the practice of withholding information from Congress, by what asserted authority such withholdings were made, and whether there were any established and uniform procedures followed in cases where information was withheld. The results of this survey were published in part I of the printed record of the hearings conducted by the Subcommittee on Constitutional Rights during the 85th Congress on the power of the President to withhold information from the Congress, and, in my opinion, they present a sorry picture indeed.

That survey shows not only that the so-called executive privilege has been cited on a number of occasions in recent years as authority to withhold information from the Congress, but it also illustrates that a great variety of information and material has been withheld in a completely haphazard way and that such withholdings have been made on almost every level of authority. In short, the survey shows that there has been little rhyme or reason to the way in which the executive privilege has been invoked.

In March of 1957, in an attempt to obtain a more definitive statement about the basis and scope of the right claimed by executive departments and agencies to withhold information from the Congress, I wrote to the Attorney General, the chief legal officer of the executive branch, requesting a statement of his views. In reply, Mr. Rogers, then the Deputy Attorney General, sent the Constitutional

Rights Subcommittee a lengthy memorandum expressing the view that "the President and heads of departments are not bound to produce or disclose information communicated to them where, in their own judgment, the disclosure would, on public considerations, be inexpedient."

This rule of unlimited power based on expediency seemed so extreme that I invited the Attorney General to appear before the subcommittee in person to explain his views in more detail.

On March 6, 1958, the Attorney General appeared and testified before the subcommittee. He not only reaffirmed the extreme position he had taken in his memorandum while he was the Deputy Attorney General, but spelled out his views on what he called the executive privilege in considerable more detail. Not only did he claim that the President and the heads of the executive departments have an inherent constitutional power to withhold information from the Congress, which they may exercise in their own discretion, but he claimed that the independent regulatory agencies have such power as well. He stated, too, that this power to withhold information can be delegated to, and exercised by, anyone and everyone in the executive branch.

Boiled down to its essentials the Attorney General's executive privilege doctrine represents nothing more than an unsupported claim that under the Constitution, executive department officials—including not only the President and the heads of the departments, but their administrative and clerical employees as well—have an unlimited power to withhold anything they wish from the Congress. Yet, nowhere in the Constitution is the President or any of his subordinates given such broad and dangerous power. And despite his original assertion to the contrary in his memorandum to the Constitutional Rights Subcommittee, the Attorney General admitted in his testimony before the subcommittee that there has never been a court decision on this point.

In the January 1959 issue of the Federal Bar Journal there appears a lengthy symposium dealing with the subject of executive privilege. I think every member of this committee would profit greatly by reading the various articles on executive privilege included in that symposium, but I would like to call particular attention to the article written by J. Russell Wiggins, executive editor of the Washington Post and Times Herald, and president of the American Society of Newspaper Editors. In his article, Mr. Wiggins has made a masterly presentation of the historical background behind what he calls the "sweeping claim of absolute privilege" advanced by the Attorney General. Mr. Wiggins demonstrates that many of the historical episodes on which the Attorney General rests his case simply do not support the extreme propositions for which they are cited.

One of the most recent instances in which the Attorney General's extreme doctrine of executive privilege has been invoked and defended by an executive agency, and the one I want to emphasize at this time, occurred quite recently when, on May 5, 1959, the Acting Director of the International Cooperation Administration appeared before the Constitutional Rights Subcommittee to explain why his agency refused to give certain/evaluation reports requested from it by the General Accounting Office.

On March 13, 1959, the General Counsel of the General Accounting Office had testified before the subcommittee in connection with the General Accounting Office's examination of economic and technical assistance activities under the mutual security program, and he stated that the General Accounting Office had been denied access to evaluation reports prepared by the office of the Assistant to the Director for Evaluation of the International Cooperation Administration. These evaluation reports are prepared by a special program evaluation unit established in the Office of the Director of ICA. The reports, each one of which generally covers the ICA program in a particular country, are prepared by teams composed of two senior officers, and are based on extensive study both in Washington and in the field. The General Counsel of the General Accounting Office testified that his organization needed access to these reports in order to properly perform its audit of ICA activities, and stated that the reports constituted a part of ICA's internal control machinery which it is GAO's statutory duty to evaluate. The complete testimony of the General Counsel of the General Accounting Office is set forth in part I of the hearings before the Subcommittee on Constitutional Rights on "Executive Privilege," copies of which I am submitting herewith for the consideration of the members of this committee.

When, on May 5, 1959, the Acting Director of the International Cooperation Administration appeared before the subcommittee to present his agency's side of the story, he took the position that despite the specific language of section 313 of the Budget and Accounting Act of 1921, providing that "all departments and

establishments shall furnish to the Comptroller General such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require of them; and the Comptroller General, or any of his assistants or employees, when duly authorized by him, shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of any such department or establishment," under the Attorney General's doctrine of "Executive privilege" he did not have to furnish to the Comptroller General or the General Accounting Office the evaluation reports requested by them.

The complete testimony of the Acting Director of the International Cooperation Administration is contained in part II of the Constitutional Rights Subcommittee's hearings on "Executive Privilege," copies of which I am also submitting herewith for consideration of the committee.

The Acting Director of the International Cooperation Administration apparently based his decision to withhold these reports from the General Accounting Office on the ground that they are for the Director's own personal use, and represent opinions and advice to the Director. Yet, in the course of his testimony, he admitted that copies of the reports were made available to officials in the State Department and in the Department of Defense.

The Acting Director was asked if the auditors within his own agency saw these evaluation reports at any time, and he testified that they did not. Later, however, in a letter addressed to me as chairman of the Constitutional Rights Subcommittee, he reversed himself on this point and admitted that ICA auditors, in preparing the internal audit of a country program, are authorized to, and in fact usually do, read a copy of the evaluation report dealing with the program in that country.

In other words, the ICA took the anomalous and completely contradictory position that these evaluation reports, supposedly prepared for the personal use of the Director of the International Cooperation Administration, may be seen by officials in the State Department and in the Department of Defense, and may be seen by their own auditors in the normal course of their auditing duties, but that they may not be seen by the auditors for the General Accounting Office who, by law, are required to audit the activities of each Department and establishment and are specifically given the power by Congress to have access to books, documents, papers, or records in those departments or establishments.

In my opinion, the position taken by ICA in withholding these evaluation reports from the General Accounting Office—which, after all, is an agent of the Congress—is in clear violation of the law, and demonstrates the fundamental danger inherent in the practically unlimited doctrine of "Executive privilege" enunciated by the Attorney General.

The Acting Director of the ICA admitted that he had not asked the Attorney General for an opinion as to whether or not he could properly refuse to give the evaluation reports to the General Accounting Office, but in the course of his testimony he cited and specifically relied upon the testimony of the Attorney General before the Constitutional Rights Subcommittee dealing with the "Executive privilege."

Here is a clear-cut example where the broad and dangerous doctrine of "Executive privilege" enunciated by the Attorney General in his testimony before the Constitutional Rights Subcommittee and in the memorandums he has issued on this subject from time to time, has been seized upon and cited as authority for what, in my own opinion, is a completely unjustified withholding of information from an agency of the Congress.

But this is not all. To show how far the Attorney General's doctrine could be carried, let me cite what the Acting Director of ICA told the Constitutional Rights Subcommittee about the potential scope of that doctrine. In defending his invocation of the "Executive privilege" doctrine as authority to withhold the evaluation reports from the General Accounting Office because they are supposed to contain opinions and advice of ICA employees, the Acting Director said—and I quote from page 359 of the printed record of the May 5, 1959 hearings—"This is what it amounts to as a practical matter. There isn't a thing that GAO does not get except this one evaluation report. I am not falling back now on legal distinctions or principle here. I am saying in effect that if ICA wanted to apply the 'Executive privilege,' GAO would not see one thing because practically every document in our agency has an opinion or a piece of advice \* \* \*."

Mr. Chairman, I shudder to think what the result would be if this interpretation of the Attorney General's "Executive privilege" doctrine should be applied by every department and agency in the executive branch.

The Congress cannot allow this position to stand unchallenged. If the present law is interpreted in such fashion, Congress, through its agent, the General Accounting Office, will be powerless to secure the information it needs in order to discharge its own constitutional legislative duty.

Congress already has taken one step to remedy this situation. Public Law 86-108, enacted by Congress earlier this year and signed by the President on July 24, 1959, specifically amends the Mutual Security Act of 1954 to require the International Cooperation Administration to furnish the General Accounting Office and appropriate committees of Congress all documents, papers, communications, audits, reviews, findings, recommendations, reports, and other material relating to the operations or activities of the International Cooperation Administration. Section 113 of H.R. 8385 simply puts teeth into this requirement by providing that if, despite Public Law 86-108, the International Cooperation Administration withholds any document, paper, communication, audit, review, finding, recommendation, report, or other material relating to the administration of the mutual security program, its funds, with certain exceptions, shall be cut off.

When the President signed Public Law 86-108, he stated:

"I have today signed H.R. 7500, a bill amending the Mutual Security Act of 1954. Three amendments made by the bill concern disclosure by the executive branch of information, documents, and materials relating to the mutual security program or certain of its aspects.

"I have signed this bill on the express premise that the three amendments relating to disclosure are not intended to alter and cannot alter the recognized constitutional duty and power of the Executive with respect to the disclosure of information, documents, and other materials. Indeed, any other construction of these amendments would raise grave constitutional questions under the historic separation of powers doctrine."

If by these words the President meant that the International Cooperation Administration did not have to obey the requirements of Public Law 86-108 pertaining to disclosure of information, and if Congress acquiesces in this interpretation then the disclosure provisions might as well not have been included in the law in the first place. Once Congress decided these provisions were necessary, and enacted them, it embarked on a path from which, as a practical matter, there is no retreat. To retreat now, by not putting teeth into the requirement of disclosure contained in Public Law 86-108, would be to accept and, in effect, to endorse the Attorney General's doctrine of unlimited "Executive privilege."

Just recently James Burnham, the well-known student and commentator on the economic and political organization on our modern American society, in a book entitled "Congress and the American Tradition," expressed the view that unless there is a reversal of the present trend, Congress eventually will lose most or all of its powers to the executive branch of our Government. While I do not necessarily subscribe to everything Mr. Burnham has said in his book, there is amply historical justification for at least part of his concern about the continued existence of Congress' traditional policymaking role in our political system. Each time an executive department or agency improperly withholds information from Congress, there results simply another diminution of congressional power and a corresponding increase of power in the hands of the executive branch. Certainly each time this occurs, the danger envisioned by Mr. Burnham becomes more a reality.

Section 113 of H.R. 8385 obviously will not eliminate all mis-citations of the "executive privilege," or prevent all improper withholdings of information from the Congress, but it is a necessary step in the right direction, and I strongly urge its favorable consideration by this committee.

#### LANGUAGE EXPLANATIONS

Senator MAGNUSON. Without objections, the explanation of language changes prepared by the ICA will be inserted into the record.  
(The document referred to follows:)



JUNE 26, 1959.

## MUTUAL SECURITY APPROPRIATION LANGUAGE FOR FISCAL YEAR 1960

## PROPOSED LANGUAGE

## EXPLANATION OF LANGUAGE

(Deletions indicated by brackets, new language by *italics*)Item  
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The language which is proposed provides for appropriations to carry out the provisions of the Mutual Security Act of 1954, as amended. Most of these appropriations are requested pursuant to authorizations to be inserted in that act by the proposed Mutual Security Act of 1959 (referred to below as the "authorization bill") now pending before the Congress. A few are requested pursuant to continuing or existing authorizations now contained in the Mutual Security Act of 1954, as amended. The justifications for these appropriations, including detailed explanations of the purposes for which these appropriations are requested, are set forth in the presentation books and materials submitted to the committee and will be further described in the testimony to be given by witnesses who will appear before the committee.

## MUTUAL SECURITY FUNDS APPROPRIATED TO THE PRESIDENT

- 1 For expenses necessary to enable the President to carry out the provisions of the Mutual Security Act of 1954, as amended, to remain available until June 30, *[1959]* 1960 unless otherwise specified herein, as follows:

- 2 Military assistance: For assistance authorized by section 103(a) to carry out the purposes of chapter I (including administrative expenses as authorized by section 103(t), which shall not exceed \$25,000,000 for the fiscal year *[1959]* 1960, and purchase for replacement only of passenger motor vehicles for use abroad) *[\$1,515,000,000] (1,500,000,000), to remain available until expended; and unexpended balances of funds heretofore made available for purposes of section 103(a) are hereby consolidated with this appropriation and shall remain available for the same purposes and time period: Provided, that the unexpended balances of funds heretofore made available under the heading "Military Construction, foreign countries," in chapter IX of the Supplemental Appropriation Act, 1953, shall be consolidated with this appropriation;*

- 1 This language states that the requested appropriations are for purposes of carrying out the provisions of the Mutual Security Act of 1954, as amended. The language specifies that these appropriations are to remain available until June 30, 1960 unless otherwise specified in this proposed appropriation act.

- 2 This language appropriates funds for military assistance. The language provides that not to exceed \$25 million of the amount appropriated may be used for administrative expenses of carrying out military assistance programs administered by the Department of Defense. It also provides, as it did last year, that funds may be used for the purchase of passenger motor vehicles, for replacement only, for use abroad. Funds for infrastructure have been included, as they have been beginning in fiscal year 1958, in the proposed authorization and appropriation for military assistance. The language provides that the appropriation for military assistance shall remain available until expended as authorized in the authorization act. The executive branch strongly urges that these funds be available on that basis. The language also provides, consistent with the no-year availability of the proposed military assistance appropriation and with section 106 of the Mutual Security Appropriation Act, 1956, as amended, that unexpended balances of funds previously made available for military assistance shall be consolidated with the new appropriation and shall remain available for the same purposes and time period. Finally, the language consolidates into one account funds made available to the Department of Defense for infrastructure by the Supplemental Appropriation Act, 1953 (which have all been obligated), with funds made available to the President for infrastructure by the Mutual Security Act of 1954, as amended, and allocated by him to the Department of Defense. The consolidation of these funds will permit liquidation of all obligations for infrastructure from one account.

## PROPOSED LANGUAGE

## EXPLANATION OF LANGUAGE

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- 3 Defense support: For assistance authorized by section 131(b), [\$750,000,000]: *Provided*, That not less than \$50,000,000 thereof shall be available for Spain exclusive of technical cooperation; \$558,000,000, to remain available until expended;

- 4 Development Loan Fund: For advances to the Development Loan Fund, as authorized by section 203, [\$400,000,000] to remain available until expended, and to become available as follows: during the fiscal year 1960, \$700,000,000, and during the fiscal year 1961, \$500,000,000.

- 5 Technical cooperation, general authorization: For assistance authorized by section 304, [\$150,000,000] \$179,500,000 to remain available until expended;

- 6 United Nations expanded program of technical assistance and related fund: For contributions authorized by section 306(a), [\$20,000,000] \$30,000,000;

- 7 Technical cooperation programs of the Organization of American States: For contributions authorized by section 306(b), \$1,500,000;

- 8 Special assistance, general authorization: For assistance authorized by section 400(a), [\$200,000,000] \$271,800,000;

- 9 Intergovernmental Committee for European Migration: For contributions authorized by section 405(a), [\$12,000,000] \$18,800,000: *Provided*, That no funds appropriated in this Act shall be used to assist directly in the migration to any nation in the Western Hemisphere of any person not having a security clearance based on reasonable standards to insure against Communist infiltration in the Western Hemisphere;

Item  
No.

- 3 This language appropriates funds for defense support. The language earmarking a specified amount for Spain is omitted. The executive branch opposes this type of earmarking, within a general appropriation, of a specific amount for use only for a particular country. Such earmarkings create difficulties with other countries and raise questions why other countries should not also be singled out for such preferential treatment. They also impair our ability to use available funds with maximum effectiveness in accomplishing U.S. objectives, since they weaken our negotiating position with the particular country involved and impede making adjustments in program plans necessitated by developments that occur during the course of a fiscal year. The language also provides that the appropriation shall remain available until expended as authorized in the Mutual Security Act. The executive branch considers it preferable, and is therefore requesting, that this appropriation be available on a no-year basis, but it is not now making a special effort to obtain such availability.

- 4 This language appropriates funds for capitalization for the Development Loan Fund. The language provides that the appropriation is to remain available until expended in accordance with the existing authorization for an appropriation for capitalization of the Development Loan Fund, which provides that such appropriation is to be available without fiscal year limitation. The executive branch considers it of critical importance that the appropriation for the Fund be made available, as all prior appropriations for the Fund have been, without fiscal year limitation.

- 5 This language appropriates funds for technical cooperation. The language provides that the appropriation for technical cooperation shall remain available until expended in accordance with the authorization for this appropriation. The executive branch considers it preferable that these funds be available on a no-year basis but is not now making a special effort to obtain such availability.

- 6 This language appropriates funds for contributions to the United Nations expanded program of technical assistance and to the related fund, known as the Special Fund. This appropriation will be available for obligation during fiscal year 1960 for contributions to cover the U.S. share for this purpose for calendar year 1960. The total of such contributions is limited, by section 306(a) of the Mutual Security Act of 1954, as amended.

- 7 This language appropriates funds for contributions to the technical cooperation programs of the Organization of American States. This appropriation will be available for obligation during fiscal year 1960 for contributions to cover the U.S. share of that program for calendar year 1960.

- 8 This language appropriates funds for special assistance.

- 9 This language appropriates funds for contributions to the Intergovernmental Committee for European Migration. This appropriation will be available for obligation during fiscal 1960 for contributions to cover the U.S. share of that program for calendar year 1960. This requested appropriation is based upon a continuing authorization now contained in section 405(a) of the Mutual Security Act of 1954, as amended.

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| PROPOSED LANGUAGE   | EXPLANATION OF LANGUAGE   |
|---|---|
| Item No.  | Item No.  |
| 10 Program of United Nations High Commissioner for Refugees: For contributions authorized by section 408(c), [\$1,200,000] \$1,100,000;   | 10 This language provides for an appropriation for contributions to the program of the United Nations High Commissioner for Refugees for assistance to refugees under his mandate. This appropriation will be available for obligation during fiscal year 1960 for contributions to cover the U.S. share of that program for calendar year 1960.  |
| 11 Escapee program: For assistance authorized by section 408(d), [\$8,000,000] \$8,000,000;   | 11 This language appropriates funds for the escapee program.  |
| 12 United Nations Children's Fund: For contributions authorized by section 408, [\$11,000,000] \$10,000,000;  | 12 This language appropriates funds for contributions to the United Nations Children's Fund. This appropriation will be available for obligation during fiscal year 1960 for contributions to cover the U.S. share of that program for calendar year 1960.  |
| 13 United Nations Relief and Works Agency: For contributions and expenditures authorized by section 407, \$26,000,000 and in addition the unobligated balances of funds heretofore made available for this purpose are continued available;   | 13 This language appropriates funds for obligation during fiscal year 1960 for contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East or for expenditure through other agencies. The language also continues available unobligated balances heretofore made available for this purpose.  |
| 14 Ocean freight charges, United States voluntary relief agencies: For payments authorized by section 409(c), [\$2,100,000] \$2,100,000;  | 14 This language appropriates funds for use in reimbursing eligible U.S. voluntary nonprofit relief agencies for ocean freight costs on shipments of relief supplies.   |
| 15 Control Act expenses: For carrying out the purposes of the Mutual Defense Assistance Control Act of 1951, as authorized by section 410, \$1,000,000;   | 15 This language is omitted since it is proposed in the pending authorization bill that section 410 be repealed and that appropriations to carry out the objectives of the Mutual Defense Assistance Control Act of 1951 (Harris Act) be included in the permanent authorization of section 411(c) for appropriations to the Department of State covered by item 22 below.  |
| 16 General administrative expenses: For expenses authorized by section 411(b), [\$33,000,000] \$32,000,000;   | 16 This language appropriates funds for administrative expenses of carrying out the provisions of the Mutual Security Act of 1954, as amended (other than expenses of administering military assistance and the Development Loan Fund, and State Department administrative and other expenses covered by item 22 below) and administrative expenses incurred by any agency administering nonmilitary assistance (e.g., ICA) in carrying out functions under the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480).   |
| 17 Atoms for Peace: For assistance authorized by section 419, [\$5,000,000] \$5,000,000;  | 17 This language appropriates funds for assistance to promote the peaceful uses of atomic energy abroad.  |
| 18 President's Special Authority and Contingency Fund: For assistance authorized by section 431(b), [\$185,000,000] \$200,000,000.  | 18 This language appropriates funds for the contingency fund.   |
| 19 President's Fund for Asian Economic Development: Unobligated balances of funds heretofore made available for the President's Fund for Asian Economic Development are hereby continued available for the fiscal year 1960 for the purposes for which originally appropriated.]  | 19 This language is omitted in view of the general language of item 20. It is expected that most of the unobligated balances which were continued available for this purpose by the Mutual Security Appropriation Act, 1959 (which amounted to \$6,743,000), will be obligated as of the end of fiscal year 1959.   |
| 20 Unobligated balances of funds heretofore made available under authority of the Mutual Security Act of 1954, as amended, and available as of June 30, 1959, are, except as otherwise provided, hereby continued available for the fiscal year 1960 for the same general purposes for which appropriated.  | 20 Pursuant to authorization provided in section 548 of the Mutual Security Act of 1954, as amended, this language continues available in fiscal year 1960 for the same general purposes unobligated balances of funds previously appropriated under authority of the Mutual Security Act of 1954, which are available as of June 30, 1959, as amended, other than funds appropriated for military assistance.  |
| 21 Funds appropriated under each paragraph of this Act (other than appropriations under the head of military assistance), including unobligated balances continued available, and amounts certified pursuant to section 1311 of the Supplemental Appropriation Act, 1955, as having been obligated against appropriations heretofore made for the same general purpose as such paragraph, which amounts are hereby continued available (except as may otherwise be specified in this Act) for the same period as the respective appropriations in this Act for the same general purpose, may be consolidated in one account for each paragraph. | 21 This provision repeats identical language contained in the Mutual Security Appropriation Act, 1959. It provides for the continued availability of obligated balances of funds heretofore made available under the Mutual Security Act of 1954, as amended, except such balances of funds heretofore made available for military assistance, which are covered by section 108 of the Mutual Security Appropriation Act, 1960, as amended. The language provides that such obligated balances and unobligated balances which are continued available may be consolidated with the current appropriations for the same general purpose, such balances, when so consolidated, being subject to the provisions of law applicable to such current appropriation. |

## PROPOSED LANGUAGE

## EXPLANATION OF LANGUAGE

## DEPARTMENT OF STATE

Item  
No.

- 22 Administrative and other expenses: For expenses of the Department of State as authorized by section 411(c) of the Mutual Security Act of 1954, as amended, [\$8,542,500] \$8,495,000.

Item  
No.

- 22 This language appropriates funds to the Department of State for fiscal year 1960 pursuant to a continuing authorization in section 411(c) for administrative expenses incurred for functions of the Department under the Mutual Security Act of 1954, as amended, or for normal functions of the Department which relate to functions under that act, and also, pursuant to an amendment proposed to be inserted by the pending authorization bill in section 411(c), for expenses of the Department in carrying out the objectives of the Mutual Defense Assistance Control Act of 1951 (Battle Act). This proposed change is a substitute for the separate appropriation to the President for expenses of carrying out the objectives of the Battle Act formerly made pursuant to the authority of section 410 of the Mutual Security Act of 1954, now proposed to be repealed by the pending authorization bill, and is consistent with the present arrangement under which the Department of State administers the Battle Act. Since appropriations for carrying out the objectives of the Battle Act will continue, as in the past, to include both administrative and other expenses, the heading of the appropriation item has been amended accordingly.

## CORPORATIONS

- 23 The Development Loan Fund is hereby authorized to make such expenditures within the limits of funds available to it, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided in section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the budget for the fiscal year [1959] 1960 for such corporation, except as hereinafter provided:

- 23 This provision repeats identical language contained in the Mutual Security Appropriation Act, 1959, and is standard language customarily enacted by the Congress pursuant to section 104 of the Government Corporation Control Act, as amended (31 U.S.C. 846), with respect to the annual budget programs of Government corporations transmitted to the Congress in accordance with that act. The Development Loan Fund was established last year as a wholly-owned Government corporation subject to the applicable provisions of the Government Corporation Control Act.

## LIMITATION ON ADMINISTRATIVE EXPENSES, DEVELOPMENT LOAN FUND

- 24 Not to exceed [\$1,250,000] \$1,050,000 of the funds of the Development Loan Fund shall be available during the fiscal year [1959] 1960 for administrative expenses of the Fund covering the categories set forth in the fiscal year [1959] 1960 budget estimate for such expenses.

- 24 This language, in accordance with the customary practice, is included in conjunction with the corporation language in item 23 to set a ceiling on the amount of funds of the Development Loan Fund that may be obligated in fiscal year 1960 for administrative-type expenses as described in the budget estimates.

## GENERAL PROVISIONS

- 25 [Sec. 102. No part of any appropriation contained in this Act shall be used for publicity or propaganda purposes within the United States not heretofore authorized by the Congress.]

- 25 This language, which was originally inserted in the Mutual Security Appropriation Act 1954, during floor debate, is identical in substance to the permanent prohibitory provision in section 608 of the Mutual Security Act of 1954, as amended, and is therefore unnecessary duplication. For this reason the executive branch recommends that the language be omitted, although it would not object to its inclusion.

- 26 Sec. [103] 108. Payments made from funds appropriated herein for engineering fees and services to any individual engineering firm on any one project in excess of \$25,000 shall be reported to the Committee on Appropriations of the Senate and House of Representatives at least twice annually.

- 26 This section was originally inserted in the Mutual Security Appropriation Act, 1954, by the House Appropriations Committee and has been repeated in each annual Mutual Security Appropriation Act since then. While the executive branch would prefer the elimination of the provision because of the administrative expense involved, it will not oppose its inclusion for fiscal year 1960.

## PROPOSED LANGUAGE

## EXPLANATION OF LANGUAGE

Item  
No.

27 [Sec. 104. Except for the appropriations entitled "President's special authority and contingency fund" and "Development loan fund", not more than 20 per centum of any appropriation item made available by this Act shall be obligated and/or reserved during the last month of availability.]

28 Sec. [103] 103. The Congress hereby reiterates its opposition to the seating in the United Nations of the Communist China regime as the representative of China, and it is hereby declared to be the continuing sense of the Congress that the Communist regime in China has not demonstrated its willingness to fulfill the obligations contained in the Charter of the United Nations and should not be recognized to represent China in the United Nations. In the event of the seating of representatives of the Chinese Communist regime in the Security Council or General Assembly of the United Nations, the President is requested to inform the Congress insofar as is compatible with the requirements of national security, of the implications of this action upon the foreign policy of the United States and our foreign relationships, including that created by membership in the United Nations, together with any recommendations which he may have with respect to the matter.

29 Sec. [104] 104. The appropriations and authority with respect thereto in this Act shall be available from July 1, [1958] 1959, for the purposes provided in such appropriations and authority. All obligations incurred during the period between June 30, [1958] 1959, and the date of enactment of this Act in anticipation of such appropriations and authority are hereby ratified and confirmed if in accordance with the terms hereof.

30 Sec. [107] 106. None of the funds provided by this Act nor any of the counterpart funds generated as a result of assistance under this Act or any prior Act shall be used to pay pensions, annuities, retirement pay or adjusted service compensation for any persons heretofore or hereafter serving in the armed forces of any recipient country.

Item  
No.

27 The executive branch is not recommending that this language (which, except for changes in the appropriation items covered, was originally inserted in the Mutual Security Appropriation Act, 1958) be repeated since, for reasons which have been indicated to the committee, it does not favor this general type of restriction. At the same time it should be pointed out that this restriction does not cause the severe operating difficulties which resulted from the more stringent versions of the restriction which applied in previous years. Thus, if the Congress decides to continue this type of restriction, the executive branch would not oppose its inclusion for fiscal year 1960.

28 The executive branch fully supports the policy stated in section 103 of the Mutual Security Appropriation Act, 1959. Even though similar statements are contained in section 101 of the Mutual Security Act of 1954, as amended, and in section 12 of the Mutual Security Act of 1953, it would welcome a reaffirmation of congressional policy in this vital matter.

29 This language is identical (except for changes in dates) to language contained in the Mutual Security Appropriation Act, 1959. It is a confirmatory clause customarily utilized when the appropriation for any agency or program is not enacted by the first day of the year to which it applies and when operations have temporarily been financed under a joint resolution pending passage of the applicable appropriation act. It provides that the appropriations contained in this proposed appropriation act shall be available from the first day of fiscal year 1960, and that funds available after June 30, 1959, for use under the Mutual Security Act of 1954, as amended, may be obligated between that date and the effective date of this proposed appropriation act in accordance with the provisions of this appropriation act and of the Mutual Security Act of 1954 as amended by the pending authorization bill.

30 The executive branch does not object to this provision as it has not used and does not plan to use any mutual security funds or counterpart to pay pensions, annuities, retirement pay or adjusted service compensation for any persons serving in the armed forces of any recipient country. As was made clear in the executive branch position paper to the conference committee on last year's appropriation bill, the executive branch interprets this section as prohibiting payments which will go directly to retired or inactive members of the armed services of the recipient countries, but as not requiring it to ascertain the ultimate use of funds made available to recipient countries for payment of salaries or wages to persons presently or hereafter serving in the armed services of the recipient country. Nor would this language prohibit payment of benefits designed to ease the adjustment of discharged servicemen to civilian life, such as payments similar to the mustering-out payments provided for in 38 U.S.C. 601-601g.

| PROPOSED LANGUAGE   | EXPLANATION OF LANGUAGE  |
|---|--|
| Item<br>No.   | Item<br>No.  |
| 31 [Sec. 108. Not to exceed 50 per centum of the foreign currencies heretofore generated in any country under section 402 of the Mutual Security Act of 1954, as amended, may, notwithstanding prior provisions of law, hereafter be used in accordance with the provisions of that section: <i>Provided</i> , That quarterly reports of the use of foreign currencies pursuant to this section shall be submitted to the Committees on Appropriations of the Senate and House of Representatives.] | 31 Section 108 of the Mutual Security Appropriation Act, 1959, constitutes permanent legislation and need not be repeated in the fiscal year 1960 appropriation legislation. |

## COMMITTEE RECESS

Mr. PARSONS. Thank you very much.

Senator MAGNUSON. Thank you, gentlemen, for your appearance.

We will adjourn now until 10:30 tomorrow morning.

(Thereupon, at 1:20 p.m., Tuesday, August 18, 1959, the committee was recessed, to reconvene at 10:30 a.m., Wednesday, August 19, 1959.)



# MUTUAL SECURITY APPROPRIATIONS FOR 1960

WEDNESDAY, AUGUST 19, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Chavez, Ellender, Stennis, Monroney, Saltonstall, Young, Dworshak, and Allott.

## MUTUAL SECURITY

### MILITARY ASSISTANCE SUMMARY

STATEMENTS OF HON. NEIL McELROY, SECRETARY OF DEFENSE; ACCOMPANIED BY OLIVER M. GALE, JR., SPECIAL ASSISTANT TO THE SECRETARY OF DEFENSE; GEORGE W. VAUGHAN, ASSISTANT TO THE SECRETARY OF DEFENSE ON LEGISLATIVE AFFAIRS; MAJ. GEN. ROBERT S. MOORE, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER); CHARLES H. SHUFF, DEPUTY ASSISTANT SECRETARY OF DEFENSE, ISA, MAP; MONROE LEIGH, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS; L. ADDISON LANIER, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY OF DEFENSE, ISA; MARKLEY SHAW, ISA COMPTROLLER, AND COL. VICTOR H. KING, USAF, DEFENSE COORDINATOR FOR MSP CONGRESSIONAL PRESENTATION, ISA

### GENERAL STATEMENT

Chairman HAYDEN. The committee will please be in order.

We are glad to have you here, Mr. Secretary. We shall be pleased to hear from you.

Secretary McELROY. Thank you, Mr. Chairman and members of the committee. It is a pleasure to appear before you on a subject about which I have very strong convictions. I have expressed on a number of occasions my view that our military assistance program plays a vital role in the defense of the free world and the support of our national security policies. General Lemnitzer, Mr. Charles Shuff, and others, have reiterated our strong conviction that appropriation of the full amount of funds authorized by Congress is im-



perative to our overall defense planning. I shall therefore make my formal statement a brief one, and merely summarize a few points which I regard as compelling justifications for the program which we have submitted.

#### CONCEPT OF COLLECTIVE SECURITY

Our military planning, in fact our whole plan for national survival, has been built in recent years on the concept of collective security. Few informed people today are in disagreement with this underlying principle.

The doctrine of collective security recognizes that the strength of the United States rests in large part on the total strength of the free world—that we cannot let any of the free nations fall victim to Communist aggression without to that extent weakening our own position and fortifying that of the opponent.

Free nations must therefore be defended. Those countries have the manpower and the will to preserve their independence; what many of them lack are weapons. They particularly lack the resources, financial and otherwise, to permit them to develop and procure the more advanced weapons systems, including modern aircraft, missiles, and associated support equipment.

Our program of military assistance is designed to provide such countries with the weapons they need to make them effective partners in defense, and with training in the use of those weapons. The alternative would be to place our own forces, to the extent that we could, in more points throughout the world—in far greater numbers than at present and at far greater cost to this Nation in money and diversion of manpower.

Instances can undoubtedly be found also where inefficiencies and waste have taken place. It would be remarkable if this were not so, with a program so gigantic in scope involving so many different peoples with differing standards of conduct and varying degrees of managerial sophistication. As rapidly as such instances are uncovered, we are moving to correct them.

In my judgment, it would be tragic indeed if minor disagreements regarding specific portions of the program or concern over occasional human failures should result in the weakening of a program so essential to our own security.

#### REDUCTION BY AUTHORIZING LEGISLATION

The authorizing legislation has already reduced the original proposal to \$1.4 billion—a reduction of 12½ percent. To say that this \$200 million reduction means the difference between a successful program and a failure would, of course, be too narrow a calculation.

The \$1.6 billion requested for the fiscal year 1960 program was, however, based on a comprehensive and painstaking analysis. It reflected our very best judgment as to the most austere program we could honestly propose without unduly jeopardizing our over-all security. The Draper Committee's first interim report not only confirmed the validity of the full \$1.6 billion, but also recommended an additional \$400 million, primarily for NATO modernization. It is my firm belief that the \$200 million reduction tends to increase the immediate risk and, if adopted as a pattern for the future, would

constitute a serious gamble with our security, because the effectiveness and vitality of the defense structure of the free world would be dangerously impaired.

#### LARGER CONTRIBUTIONS FROM VARIOUS COUNTRIES

There are those, including many proponents of military assistance, who contend that a number of countries should contribute more themselves in the interest of their own and our mutual security. I share this viewpoint. We have been making a determined effort to bring this about. Our efforts have been rewarded, for example, in the recently increased defense budgets of Italy and Belgium, and the NATO common production of the Hawk missile system. European NATO countries have been assuming an increasing share of the costs for maintenance support and conventional weapons. Much has been done through increased use of the military sales program either by cash sales or credit sales and through negotiating more cost-sharing arrangements. However, most of the nations associated with us in common defense will presumably need help for some time, particularly in the area of the immensely expensive and complicated advanced weapons systems.

Let me assure you that we will continue to try to find ways to further the objective of having our allies absorb more of the costs of defense, particularly as the economic capabilities of these nations improve.

#### WORLD TENSION HIGH

The recent visit of Vice President Nixon to Russia and the forthcoming Eisenhower-Khrushchev discussions are being interpreted in some circles as portending a general lessening of international tension. I am sure all of us pray that world tensions can be reduced and peaceful means achieved for solving our basic disagreements. I am sure everyone in this room also agrees, however, that we must not be misled by what are thus far only surface gestures. The military threat today is as great as ever; nothing has happened to indicate that the goals of international communism have changed.

There will be a very human inclination to lower our guard now, to relax somewhat in our efforts. To follow such a course would be the worst kind of folly; even to suggest—to the public, to our allies, or to the Soviets—that we are doing so would be most unwise.

A reduction in the amount this Nation is willing to spend to maintain the strength of the free world defenses might well be interpreted as a decrease in our determination to stand jointly with our allies in the common defense, or an indication of a softening in our attitude.

Obviously we would not wish to maintain the \$1.6 billion level for for this reason alone. The full program, however, is a sound one, and we believe that this is not the time for lessening the support of our allies.

#### MILITARY ASSISTANCE ESSENTIAL

Mr. Chairman and members of the committee, the military assistance program is as much in our national self-interest as the programs which put weapons in the hands of our own forces. Both are absolutely essential to our own protection. I strongly urge that you provide funds for this program to the full amount that has been authorized.

Chairman HAYDEN. Are there any questions, Senator Ellender?

Senator ELLENDER. I have only one question, Mr. Secretary. I am not going to go into any details of the programs in various countries;

However, the record already made will show that I have expressed the belief that many of the countries receiving assistance from us should be helping us with the burden we are carrying rather than obtaining aid from us. Your statement indicates that efforts are being made to get these countries to do more but nevertheless we continue to assist them.

What recent efforts have been made to get these people to give more assistance to us?

#### EFFORTS TO INCREASE SELF-HELP

Secretary McELROY. More assistance to themselves, I think, is the way I would say it. The things that have been going on include the purchasing of equipment by the Germans for the equipment of their forces.

Senator ELLENDER. The Germans are well able to do that.

Secretary McELROY. I agree, sir.

Senator ELLENDER. In the past, however, we have given Germany vast sums of money which has contributed in no little way to her recovery.

Secretary McELROY. That is right.

Senator ELLENDER. I am just wondering why other countries in Western Europe are unable to do what the Germans are doing.

Why is not more effort made to get them to assist us?

Secretary McELROY. I think your belief is that we are not doing as much as we should and I think you may be right, Senator.

Senator ELLENDER. You mean in that direction?

Secretary McELROY. That is right.

Senator ELLENDER. That is what I have been talking about. Your predecessor said he was going to do it. What are you doing now?

Secretary McELROY. I think conditions were less favorable during the time of my predecessor than they are now, sir. I think the financial position of the Western European countries has very considerably strengthened in the last 2 or 3 years.

So I have far greater agreement now with your position on the strength of it than I think I could have had, say, 3 years ago.

#### FRANCE AND GREAT BRITAIN

In my opinion, France is an example of a country where there must be considerably greater support of their military establishment, out of their own resources.

Senator ELLENDER. Why do we not permit her to do just that?

Secretary McELROY. This program is not very heavily weighted in France. And you talk of Great Britain. The Great Britain part of this is primarily tied in with the IRBM.

Senator ELLENDER. France is programed to receive three times more than last year, and I believe the British can well afford to pay for the IRBM's we furnish.

Furthermore, we are still carrying between 38 and 40 percent of the NATO obligations. That is what we are doing.

## SOUTH KOREA

The situation to which I have referred is not peculiar to Western Europe. I pointed out yesterday that in South Korea the story is similar.

We are furnishing South Korea funds not to so much pay for military might, but to give to the South Koreans a 15 percent margin between what they produce and consume so that they can have a greater amount of investment capital.

That was the justification given for defense support for South Korea. Do you agree with that?

Secretary McElroy. Let me say, Senator Ellender, this is an area of this program for which I do not have the responsibility and I would rather not comment on it just because I am not very well informed about it.

Senator ELLENDER. But you are requesting military assistance for South Korea, and you ought to know what the situation is.

You state that not a dime should be cut. I am showing you that defense support to South Korea could probably be cut by \$50 or \$60 million.

Greece is another country which is presently enjoying unprecedented prosperity yet Greece is programed for an increased amount of defense support.

I find, Mr. McElroy, that these countries will keep leaning on us as long as we permit it. We have been entirely too easy with them and that is the trouble, as I see it.

Secretary McElroy. Let me make one observation about Greece, Senator Ellender, if I may: I spent sometime there 8 or 9 months ago, the latter part of last year. I do not believe that you will find that the economic conditions there are quite as favorable as you have described them.

The measurement I make there, sir, is the seriousness of unemployment in Greece.

Senator ELLENDER. They have only 8 million people.

Secretary McElroy. Yes, but they have a million unemployed or they did have last fall, which was a 12-percent-plus figure and it was a matter that they regarded very seriously.

The other things you have said, I don't take any issue with, partly because I don't have the knowledge, but I did happen to have that knowledge and I thought it might be of interest to you.

Senator ELLENDER. In the case of Greece, I want to be perfectly fair, since I have learned just recently that Greece has had to increase her military forces. That may be a sufficient reason for the increased defense support.

But I believe if our policy is to proceed in this way by saying to a country, "Here, increase your forces and we will continue to support you", if we keep on doing that, Mr. McElroy, I do not know where it will lead us.

## NATO DIVISIONS IN WESTERN EUROPE

In Western Europe we have assisted France to the point where it hurts. Today, they have a bare handful of soldiers there. They are using them in Algeria. They tell us that Algeria is part of NATO.

To me that is just poppycock because we were supposed to have the so-called shield in Western Europe and not north Africa.

It is all right to have mutual security, but let's make it mutual.

Let us not carry the whole load.

Secretary McELROY. I think, Senator Ellender, the program in Western Europe is vulnerable on the point which you have made.

Senator ELLENDER. No doubt about it.

Secretary McELROY. I did not consider it so on places like Taiwan, like Korea, like Vietnam and Turkey.

Senator ELLENDER. As vulnerable?

Secretary McELROY. I don't think that anybody could say that every dollar that is requested is required down to the last penny, because I don't think you can make that kind of calculation on this kind of program, which I think then would of necessity mean that your point that some of this money could be reduced is probably correct, but it is hard to know which dollar you can cut.

Certainly there has been very educated and discriminating examinations of this program, not only by the administrative people, but also by Members of Congress and certain auditing agencies.

Senator ELLENDER. But, Mr. McElroy, the people on whom you depend are those who administer these programs abroad. They are the ones you depend on and you would not expect them to come in and give you a bad report on what they are doing.

#### SOUTH VIETNAM

Secretary McELROY. No; but we think some magnificent work has been done by the military assistance groups in these countries.

I would call your attention—I think you probably have been there because I know you have made this matter of great interest to yourself—to the training of the South Vietnamese Army by General Williams and his group. This is a part of the world where I know there has been certain criticism of part of this overall program, and I take it there has been some justification for it.

Nevertheless, the picking up of that country off the floor and giving it a military capability at least to provide internal security and some defense against an attack from the north, is in my opinion, a very fine contribution to the free world.

Senator ELLENDER. I agree, and I think it ought to be limited to that, but to a large extent within that capability—of course, I grant we have to assist; there is no doubt about it.

Secretary McELROY. Either assist or they will fold.

Senator ELLENDER. I do not think they will go that far. Take the case of Iran, for instance, with all the oil riches there, if the people in Iran paid their just proportion of taxes as you and I are doing here, they would not need this assistance.

#### JAPAN

Take Japan. We have in this budget ——— to help Japan.

The record shows that the difference between what Japan produces and consumes is 27 percent. She has 27 percent of her annual resources which she can invest to expand her economy.

We have only 15 percent.

Now, in a country having such prosperity, why is it necessary for us to furnish military assistance? I would certainly like to know.

SECRETARY McELROY. This is something which I can only put in terms of a calculation on the part of—

Senator ELLENDER. The military assistance groups, the people who give us advice.

Secretary McELROY. And the economic people who look at the capability of Japan. You are giving figures that I really have no knowledge of, Senator. I am not disputing them.

Senator ELLENDER. With all due respect, that is the trouble with the people in the higher echelons of our official society. They come and parade before us and justify these programs with reasons furnished by others.

If they knew the facts and studied these countries I guarantee they would not recommend the full amount as you are doing now.

Secretary McELROY. The kind of things you are saying, I think, has particular force in the industrial countries. Japan is improving its financial position in the way in which Western Europe is.

I think there is sounder justice in the questioning of the program in the industrial countries which have been recovering in relationship to our own industry, than would be true of Korea and Taiwan.

Senator ELLENDER. That has been happening since the war. We have been pouring money in there.

Secretary McELROY. We have had good reason to in a country that has been destroyed as Japan was.

Senator ELLENDER. That is right and I voted for that.

But I drew the line, though, when they became prosperous and I am drawing is now insofar as Japan is concerned, Japan is programmed for ——— dollars of military assistance.

While Taiwan which is supporting as I remember, ——— soldiers, amounts to ——— dollars.

There is no comparison between the prosperity which exists in Japan with that which exists in Taiwan.

Senator DWORSHAK. Will the Senator yield at that point on Japan?

Senator ELLENDER. I am through.

#### MILITARY ASSISTANCE FUNDS IN JAPAN

Senator DWORSHAK. I would like to interject at this point some figures that I think Secretary McElroy should like to have about Japan.

For fiscal year 1960 the military assistance is ———.

As of June 30, 1959, unliquidated military assistance was ———.

On the same date, unliquidated economic assistance, \$3 million; counterpart funds, \$2 million, or a total of ———.

I do not know whether those figures are correct. I took them out of the book.

Are they correct, Mr. Murphy?

Mr. MURPHY. Yes, sir; those figures are correct.

Senator DWORSHAK. In fiscal year 1960 you are asking us to provide additional funds which, if carried over, will make available almost ——— dollars for Japan.

As a hardheaded businessman you do not approve of that. You did not know that, I am sure. Maybe it is not within your jurisdic-

tion to be critical or anything, but you are holding a position where we hold you responsible, at least for the military end of it.

Secretary McElroy. That is all right. It must be clear to all of you the importance that is attached to Japan in the overall military position of the free world.

Japan not only is a country which has the singlemost potentialities to provide a balance to China in that part of the world, but also it is a very important base for our own military activities in that part of the world.

Senator Dworshak. We have withdrawn most of our military personnel.

Secretary McElroy. We have withdrawn all Army combat troops, but that is all. We have the Yokosuka base there, which is saving us the necessity of bringing naval ships clear across the Pacific for reconditioning.

That Yokosuka yard is perfectly competent to do major repairs on major naval vessels.

Senator Dworshak. I want to have you know that I recognize the importance of Japan. To me it always seems that we are a soft touch for many of these countries by providing financial assistance when probably the beneficiary countries or our allies, you might call them, are in a better position than we are from a financial standpoint to assume a greater share of maintaining this military preparedness than we are.

I wonder whether the top officials in the Pentagon and in the Budget Bureau and elsewhere, appreciate that.

Thank you, Mr. Chairman.

#### U.S. INTERNATIONAL DEFENSE EXPENDITURES

Senator Ellender. A while ago I was trying to point out the additional amount of money that flows from us to Japan in order to assist her economy. I am sure you are familiar with this, that the U.S. defense expenditures entering the international balance of payments will amount to ——— in 1960.

Of that amount France gets ———.

Germany, ———.

Japan, ———.

That means a lot of business for those people and in addition, we are being called upon to furnish this military assistance which I believe they ought to be able to pay for themselves, particularly, when you consider the condition of our own Treasury, Mr. McElroy.

That is all I have, Mr. Chairman.

Secretary McElroy. I don't think that anyone would say that Japan is in as fine a shape as we are.

Senator Ellender. No, but almost.

Secretary McElroy. Even though I would say it is true that Japan has been improving its financial position in relation to our own. That I am sure is true in the same way that it is also true about Western Europe.

Senator Ellender. Mr. McElroy, Japan's economy has never been better in her entire history, and that includes 1941 when she was able to maintain armies and almost deal us a knockout blow.

She is now more prosperous than then, but we have to go in and help her build an army. That is what I cannot understand.

Chairman HAYDEN. Senator Saltonstall.

Senator SALTONSTALL. May I ask a couple of questions of Mr. McElroy.

I know that you and perhaps Mr. Murphy and the other gentlemen can answer them in detail.

#### APPLICATION OF HOUSE CUT

I would like to get your opinion. You show on page 40 of your mutual security program a breakdown of the figures to where the \$1.6 billion is going by countries.

On page 42 you show where it is going by instruments and material.

Now, what I am interested in is this: That is based on \$1,600 million. The House cut you \$300 million. You are asking us to restore \$100 million on the amount of the authorization which is \$200 million under the 1.6 billion.

Now, have you made any estimate as to where this cut will come from, or, put it another way, where, if we put back \$100 million, where it will go?

Secretary McELROY. The cuts would largely come out of the modernization factor in the North Atlantic Treaty countries.

Senator SALTONSTALL. In other words, the cut that has been made by the House to 1.3 billion from the 1.6 billion that you originally estimated, would largely come out of NATO in the European countries?

Secretary McELROY. Yes, sir.

Senator SALTONSTALL. If we put back \$100 million, where would that money go, broadly speaking?

Secretary McELROY. We would make selective restorations of the cuts that would be made in the same area.

Senator SALTONSTALL. So that when we break down the figures, as we have on page 40 of your mutual security program, based on \$1,600 million, \$477 million is going to Europe, and then the balance of \$411 million to the Near East, and \$567 million to the Far East.

The cut will come out of the \$477 million, and the restoration will be to \$477 million, in other words, to Europe?

Secretary McELROY. In general, that is true.

There may be some minor cuts in other areas as a general squeezing, but in general that is a correct statement, sir.

#### UNOBLIGATED FUNDS

Senator SALTONSTALL. Now, the House report on page 4 gives the breakdown of these figures by countries and then it states that there is \$15,453,000 of unobligated funds.

Your figures on page 159 of the same report of the mutual security program shows an unobligated balance of \$46 million.

I assume that that 15.4 million is a later figure.

Mr. MURPHY. It is a later figure. However it now appears that the earlier figure was more nearly correct. The earlier figure—\$46 million—had two components; first, an item of \$21 million consisting of receipts from military end-item sales which continue available under



existing legislation to finance new sales; and, second, an estimate of \$25 million of unobligated fiscal year 1959 funds which would lapse if not reappropriated. While earlier reports indicated this item would amount to only about \$15 million current reports indicate it approximates \$31 million. So the \$15 million mentioned in the House report is low by \$16 million.

Senator SALTONSTALL. So that you now indicate that the figure shown in the House reports should be increased to \$31 million.

Secretary McELROY. Yes, sir.

#### QUESTION OF TIMELAG

Senator SALTONSTALL. Now, the House report, Mr. McElroy, shows that you will have available \$3,876 million for expenditure in the fiscal year, with unobligated and reappropriated funds consisting of \$2,530 million.

In other words, there is a carryover of \$2,530 million and with your new funds you will have \$3,876 million.

Now, I would like to ask two questions:

You are in charge of this overall program. How much of a time lag is there in working out this program? We have had a figure a good many times, but I would like to have your estimate.

Secretary McELROY. I would like to be sure that I understand the question. Is your question what is the average length of the pipeline?

Senator SALTONSTALL. Call it a pipeline or timelag.

In other words, from the time you get your money the first of September, we will say, what is the pipeline or timelag it will take before that money goes to work?

Secretary McELROY. It is about 18 months.

Senator SALTONSTALL. About 18 months?

Secretary McELROY. Yes, sir; that is an average figure.

#### CARRYOVER FUNDS

Senator SALTONSTALL. The other question is: The amount of the carryover that is necessary, I know we have been trying in the Defense Department to cut down the carryover figure. What is the minimum carryover that you feel is necessary?

Secretary McELROY. The opinion, of course, has to be in relationship to an estimated delivery program. An estimated program that is regarded as desirable is a program of the general order of \$1,800 million.

In the opinion of the people who have had broad experience with this carryover, what we now have is as little as you can have and maintain the flow of a program of that size.

In other words, if you have less than this amount of carryover, you will find about 18 months from now that you have less than a \$1,800 million program coming out at the end of the pipeline simply through your inability to get deliveries.

Senator SALTONSTALL. In other words, the carryover now is down to about as low as it can be.

Secretary McELROY. As it can be for that size program.

Senator SALTONSTALL. That is shown on the chart which Mr. Scott has just shown to me, on page 62 of your mutual security program.

Secretary McELROY. That is right.

Senator SALTONSTALL. In other words, when we appropriate \$1,400 million or \$1,300 million of defense materiel in this program we have to estimate that there is going to be a carryover of somewhere between \$2.5 billion and \$2.3 billion, if the program is going to carry forward.

Secretary McELROY. Mr. Shuff points out to me that the \$2.3 billion that you see on that chart is based on the assumption of a program of \$1,600 million, so that if the appropriation is \$1.4 billion, then the carryover will be \$2.1 billion.

Senator SALTONSTALL. When you say it takes about 18 months to obligate, how much time does it take to obligate and to spend?

#### TIMELAG IN SUPPLY AND DISTRIBUTION

Secretary McELROY. It does not take 18 months to obligate. It takes less time than that to obligate. However, it takes 18 months to keep the materiel being manufactured and going through the pipeline and coming out at the other end of the pipeline for deliveries.

Senator SALTONSTALL. From the time you make your agreement to the time that the materiel gets to its destination is approximately 18 months?

Secretary McELROY. That is right, sir.

Senator SALTONSTALL. How long does it take you to make your agreement from the time the money is appropriated?

Secretary McELROY. It would probably take 6 months to obligate this amount of money, I think, as a minimum. It has been taking somewhat between 6 and 9.

Senator SALTONSTALL. It is about 2 years from the date that the money is appropriated to the date that the materiel is delivered?

Secretary McELROY. That is about right, sir.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Senator YOUNG. Mr. Chairman, may I ask a question?

Chairman HAYDEN. Certainly.

#### FUNDS FOR JAPAN, 3-YEAR PERIOD

Senator YOUNG. How much money did we make available to Japan for each of the past 3 years? Do you have those figures?

Secretary McELROY. The figures, Senator Young, are ——— dollars in fiscal year 1958.

——— dollars in fiscal 1959.

And the proposed figure which has been previously quoted of ——— dollars for fiscal year 1960.

Senator YOUNG. This is for all purposes, though?

Secretary McELROY. This is for military purposes. There are certain cost-sharing programs here. Japan does put some of its own money into these programs in collaboration with the military assistance program.

Mr. MURPHY. The technical cooperation program which is the economic assistance program in Japan, Senator Young, has been \$2,504,000 in fiscal year 1958; \$2,500,000 in fiscal year 1959. And the figure proposed for fiscal year 1960 is ——— dollars.

Senator YOUNG. What other assistance have they received?

Mr. MURPHY. They had a program back in 1955 under Public Law 480, but they have had nothing since that date.

There was a sales program under title I of Public Law 480, of \$146 million, \$36 million worth in yen provided were made available for United States use and the balance were available for loans to Japan for economic development projects.

Senator YOUNG. What I am concerned about, Mr. Secretary, is this: As the economic condition of Japan improves our assistance to them does not seem to be going down. I see no hope at all for ever ending this program if we cannot decrease the amount of assistance given to a country whose prosperity is on the upgrade.

What would happen if Japan, for example, got into economic difficulties? They would want and probably need far more assistance than they are receiving now.

That is the thing that bothers me about this whole program.

It does not seem to taper off, no matter how high a degree of prosperity the country seems to enjoy. We just seem to be pouring the money in this anyway.

Secretary McELROY. I find this to be a criticism which I have some sympathy with. I will say that it has to be understood, and I am sure that you men do understand, that there is a political aspect to these programs as well as the military aspect.

The military is a valid military program as far as the equipment in the program is concerned, but the degree to which you press a government for such a thing as we are now discussing has a political as well as a financial determination.

This, I must say, is outside of our particular responsibility. I suspect this is the kind of thing which, when Mr. Dillon comes, he will want to discuss with you.

But this Japanese Government under Prime Minister Kishi has been regarded by us, and is regarded by us, as an important strengthening of the free government in Japan.

Senator YOUNG. I realize that he has been quite cooperative, far more than most of them have.

What hope is there for the free world if all of the countries we are trying to work with do not increase their cooperation and their responsibility and their financial load as their prosperity increases?

For example, if a depression happens to set in in Japan, England, and France and maybe the United States, too, and Russia at the same time was going along pretty good, we would be absolutely sunk. We would not be in a position then to increase our assistance.

I am really worried about the situation.

#### WESTERN EUROPEAN SUPPORT OF MILITARY ESTABLISHMENTS

Secretary McELROY. The countries of Western Europe—I keep saying this and I hope I am not boring you with it—have come to the point, not all of them, but many of them, where they can and should support their own military program.

A few years ago we were putting quite a little bit of money into Germany. Today we are putting in none, except for a small training program. It is true that some of our foreign exchange is going in there, as Senator Ellender says, but that is compensation for our own forces there. It is helpful, I am sure, to their economy, just as Sen-

ator Ellender points out, but it is not a form of actual military assistance. Maybe the Germans should be paying some of our troops, I don't know, but that is something we have not quite been able to bring up to them up to this point.

Great Britain is now at a point where she is financing her program with the exception of the IRBM. This also is something which represents progress although it is kind of hard for us to think back to the time 7 or 8 years ago when Britain also was climbing out of a very deep trough in which it got as a result of destruction in World War II.

France, I am sure, is coming to the point where she is going to carry her own load.

What you gentlemen are saying about your feeling of impatience that it is not coming faster, I think, is in order.

I find myself, as I say, sympathetic to it. The question is, how fast we can go and maintain our Government relationships. We do develop certain commitments, and a shift of governmental action sometimes is a little slower than most people would like it to be.

But I think the pressure is in this direction on the part of our own State Department. It is on the part of our own Defense Department, and I think it is quite proper that you gentlemen should push us from your standpoint.

Senator YOUNG. Thank you.

Chairman HAYDEN. Are there any further questions?

#### AID TO FRANCE

Senator DWORSHAK. You just said, Mr. Secretary, that you thought France was assuming a larger share of maintaining military forces. I am afraid these figures are misleading.

Secretary McELROY. No, I said I think she should and must in the light of her improved financial position. I did not say she is now, sir.

Senator DWORSHAK. These figures must be incorrect.

For fiscal year 1959, on page 40, it shows that France received ———. Is that correct?

Mr. MURPHY. Yes, sir.

Senator DWORSHAK. You are asking for this year for ———; is that correct?

Secretary McELROY. That is right.

Senator DWORSHAK. That is an increase from ——— to ——— dollars for France; is that correct?

Secretary McELROY. May I suggest that the detailed explanation of that be given by Mr. Shuff.

Senator DWORSHAK. Yes.

Mr. SHUFF. Senator Dworshak, the story on the French program proposed for fiscal year 1960, ——— is one that we are going to attempt to negotiate a major part of in sales aid.

Senator DWORSHAK. What kind of aid?

Mr. SHUFF. We are going to sell part of this hardware to France.

Senator DWORSHAK. What would she pay us with?

Mr. SHUFF. Well, we have the Dillon-Monnet agreement which allows France to purchase in the United States some of its dollar requirements for which she makes available to us francs.

Now, we have occasion to spend francs on an offshore procurement basis for our requirements in other countries. To the extent that that will be workable and we have a place for the francs to be spent in France for our other purposes, we will do it that way.

Senator DOWARSHAK. That is fine; that is a partial explanation; you are a superoptimist if you expect to get paid for any of that. The record of France does not show that.

On June 30, 1959, they had a carryover in military assistance of \_\_\_\_\_ dollars; is that right?

Mr. SHUFF. That is correct, sir, but France has bought a good deal from the United States in military requirements.

Senator DWORSHAK. I am not interested in that. All I am interested in is finding out when France will assume a larger share of the cost of maintaining military preparedness. I am not going to belabor this because you could not explain it if you talked to me about it for a year.

I know you read in the press, as I did, over the weekend, that De Gaulle is planning to demand that the United States get full-fledged into this campaign in Africa to defeat the Nationalists. Is that right? Did you read that?

Mr. SHUFF. I read that.

Senator DWORSHAK. I certainly sympathize with the President when he goes to confer with De Gaulle. I recognize De Gaulle is a great Frenchman and France is a great country, but the record shows that the more support we give to France, militarily and economically, the worse becomes the position of that country and she is less able to give us any worthwhile support in case of difficulty.

Is that true, that she has been going downhill, gradually? Maybe De Gaulle is going to pull her out, but how is he going to pull her out—with American dollars and by forcing our planes to vacate bases in France?

Mr. Chairman, it is beyond my comprehension. I am just an old-fashioned American and I cannot comprehend the lack of logic that is basic in these policies.

#### FRENCH PURCHASES FROM UNITED STATES

Senator ALLOTT. Mr. Chairman, while we are on this subject, will you give me that figure you started to give?

Mr. SHUFF. Yes, sir. France has purchased from us through fiscal year 1958, \_\_\_\_\_ dollars worth of military hardware.

Senator ALLOTT. Does that include fiscal years 1958 and 1959?

Mr. SHUFF. It does not include fiscal year 1959, sir. It is just through fiscal year 1958.

Senator ALLOTT. Is that the total; or is that just for the year?

Mr. SHUFF. No, sir; that is the total.

Senator ALLOTT. Thank you.

Senator CHAVEZ. May I ask a question?

Chairman HAYDEN. Certainly.

#### FRANCE AND NATO

Senator CHAVEZ. Mr. Secretary, France has purchased military equipment from us to the extent of the figures that you have outlined. We have also given her military aid under the NATO setup.

Secretary McELROY. Yes.

Senator CHAVEZ. Is she using that military aid in order to help NATO and the United States, or to kill Arabs in Algeria?

Secretary McELROY. There is an understanding that the NATO equipment will be used for NATO objectives.

I cannot absolutely be certain that none of this is being used in the Algerian war. I doubt if anybody can be certain of that.

Senator CHAVEZ. According to information that I have received, in good faith, she is supposed to have some 20 divisions in order to help NATO, but I understand that she has 3 divisions on paper and the rest of them are over there in Africa.

Secretary McELROY. I think your information is correct. Specifically, the bulk of the French ground forces are in Africa.

Certainly the French Army commitments to NATO are not being met. That is clear.

Senator CHAVEZ. Mr. Secretary, I am for NATO. I believe in it, and I believe in this military aid, but we preach to the world about free countries and it is very confusing to one who feels kindly toward a free world to have them do this in order to keep the colony in Africa.

Secretary McELROY. I am sure this is as difficult a problem as any other this country is facing. France is a very important country in the free world. France considers Algeria really to be part of its own country; I think that we have a little different outlook on it and certainly the peoples of Africa and the peoples of Asia do.

I do not think that there is a much more difficult question internationally than the one you are posing.

Senator CHAVEZ. I understand.

Now, getting back to modern history. England fought the colonies in the United States exactly as France does in Algeria, but we went to war in this country and got away from England.

Now, it is very confusing to one who believes in that philosophy to agree that there should be a colony in north Africa. I am only expressing my opinion. I am not disagreeing with your position whatsoever.

Secretary McELROY. I am sure quite a few people in this country have the same degree of confusion. This is a difficult path to tread for this country, I am sure. I know that it is very much of concern to all of our people.

It has been a matter of quite recent discussion in the Security Council, I might say.

Chairman HAYDEN. If there are no further questions, we might hear from the Secretary of State.

We thank you, sir.

Secretary McELROY. Thank you, gentlemen.

Chairman HAYDEN. Proceed, Mr. Secretary.

## DEVELOPMENT LOAN FUND

STATEMENT OF HON. C. DOUGLAS DILLON, ACTING SECRETARY OF STATE AND CHAIRMAN OF THE BOARD OF DIRECTORS, DEVELOPMENT LOAN FUND, ACCOMPANIED BY ROBERT B. MENAPACE, ACTING MANAGING DIRECTOR; HART PERRY, DEPUTY MANAGING DIRECTOR FOR LOAN OPERATIONS; ROBERT M. CABOT, ASSISTANT DEPUTY MANAGING DIRECTOR FOR FINANCE AND DEVELOPMENT; JOSEPH S. TONER, CORPORATE SECRETARY; FREDERICK W. HAHNE, BUDGET OFFICER; MANUEL C. ZENICK, ASSISTANT DEVELOPMENT OFFICER, DEVELOPMENT LOAN FUND; HON. WILLIAM B. MACOMBER, ASSISTANT SECRETARY, CONGRESSIONAL RELATIONS; HON. JOHN O. BELL, SPECIAL ASSISTANT FOR MUTUAL SECURITY; J. E. MURPHY, INSPECTOR GENERAL AND COMPTROLLER, MUTUAL SECURITY; PHILANDER P. CLAXTON, JR., DEPUTY ASSISTANT SECRETARY, MUTUAL SECURITY AFFAIRS, AND VINCENT J. SHERRY, PROGRAM OFFICER, DEPARTMENT OF STATE

### GENERAL STATEMENT

Mr. DILLON. Mr. Chairman and members of the committee, I appear before you today in two roles. First, as Coordinator of the mutual security program, with responsibility for relating the Development Loan Fund to other elements of the program, and to the foreign policy of the United States.

Second, as Chairman of the Board of Directors of the Development Loan Fund, the Board being responsible for establishing operating policies.

### DEVELOPMENT LOAN FUND

My specific purpose today is to support the President's request that \$700 million be appropriated to the Development Loan Fund to become available for obligation in fiscal year 1960 with an administrative expense limitation of \$2,050,000 and that an additional \$500 million of capital be simultaneously appropriated to become available for obligation beginning in fiscal year 1961.

Mr. Robert Menapace, Acting Managing Director of the Fund, and Mr. Hart Perry, Deputy Managing Director for Loan Operations, are with me today. Mr. Menapace has a statement which he would like to offer for the record dealing with the detailed operations of the Development Loan Fund and with the administrative expense limitation.

Before I discuss in fuller terms the objectives and accomplishments of the Development Loan Fund and the importance of providing the

requested \$700 million for 1960 to continue the current level of operations, I should like to review for the committee the particular urgency for and the background leading up to the request for the \$500 million appropriation to meet part of next year's requirements.

Congress has now authorized for appropriation to the Development Loan Fund \$1.8 billion, \$700 million of which could be used this year and the remaining \$1.1 billion in fiscal year 1961.

The President has requested that \$500 million of the authorized \$1.1 billion for fiscal year 1961 be appropriated at this time.

#### CONTINUITY OF FUND

Though it is expected that the \$500 million will have to be supplemented through regular appropriations in the next session of Congress, this appropriation for funds beyond fiscal year 1960 would be an important step toward placing the Development Loan Fund on a sounder banking basis.

The present handicap of operating entirely on the basis of annual appropriations prevents the United States from getting as full value from its money as it could if a measure of continuity were assured. The dependence upon year-by-year appropriations limits the degree to which we can assist the developing countries in carrying out long-range development plans and inhibits more comprehensive measures of self-help and advance planning on the part of the borrowers.

With the greater assurance of continuity which would be provided by the requested appropriation, the Development Loan Fund will be able to make more efficient use of its resources and to increase its effectiveness in stimulating the economic growth of the less developed countries.

As we have indicated many times in the past, economic development projects take time to prepare and evaluate. Many borrowers are either unable or unwilling to engage in the time-consuming preparations that are required, without some assurance that funds will ultimately be available if the project proves to be a sound one.

Moreover, the Development Loan Fund itself often hesitates to engage in the time-consuming analysis and evaluation of projects, which normally implies that funds will be available if the project proves satisfactory, without having assurance that funds will in fact be available.

Continuity would encourage thorough study of each project for as long and as hard as necessary to assure the soundness of projects proposed.

Though every objective study of development financing has concluded that such continuity of funding is equally as important as an adequate level of activity, and though Congress has just authorized a second year appropriation, the House took no action toward recommending the appropriation. This would seem shortsighted in terms of orderly and efficient financial management and would seem to be clearly contrary to the intent of the authorizing legislation.

The denial of this minimal element of continuity would, I fear, be regarded as an announcement to the world that the United States cannot be counted on for significant and continuous assistance to peaceful free development over the critical years ahead.



## NATURE OF ECONOMIC DEVELOPMENT PROGRAM

Let me turn now to the more general discussion of the nature of the economic development problem and the essentiality of continued and increased U.S. effort.

The economic hopes of more than a billion people in the less developed areas of the free world are a central fact of our era. These aspirations have set off an economic and social revolution which poses a challenge for all the free world.

The central question which emerges from this set of events is whether the progress of these people will take place in freedom, whether free institutions, in short, will prove equal to the task of meeting these economic aspirations.

As discussed in my earlier appearance before this committee, independent of, but intensifying this challenge is the presence of Soviet imperialism which is well aware of the opportunities which this situation presents for furthering its own purposes.

These various circumstances combine to present a challenge and a great responsibility for the entire free world.

After a searching examination of foreign assistance programs by the executive branch, by private organizations, and by its own committees, the Congress authorized establishment of the Development Loan Fund about 2 years ago. This type of program has been supported by almost every responsible public or private body that has surveyed this problem since then.

In establishing the Development Loan Fund, the Congress charged the Development Loan Fund with a specialized mission: The provision of capital for productive economic growth.

Other elements of the mutual security program are designed to maintain stability and elicit a contribution to the common defense. Only the Development Loan Fund and the technical cooperation program have the purpose of promoting long-range economic development.

It is these two programs which promote economic growth and enlarge their capacity to sustain themselves, thereby decreasing their need for external support.

## ACCOMPLISHMENTS OF DLF

The Development Loan Fund now has behind it a little more than 19 months of active lending experience. By June 30 it had approved loans amounting to \$836 million, averaging about \$60 million per month in fiscal year 1959, during those months when funds were available.

The Development Loan Fund had used up all of the \$700 million in capital then available by the end of April. By June 30 virtually all of the \$150 million in fiscal year 1959 supplementary funds, which became available to the DLF on May 20, had been approved for loans.

The Development Loan Fund staff now has in process a substantial backlog of useful and sound proposals. There were on hand more than \$1.5 billion in screened proposals at the end of fiscal year 1959, and requests continue to pour in. The value of applications for DLF loans increased by over \$200 million in the month of June.

## AUTHORIZATION FOR 1960

For fiscal year 1960 the President requested and Congress authorized the appropriation of \$700 million as the capital necessary to enable the Development Loan Fund merely to continue at approximately its current minimal level of operations. I characterize \$700 million as a minimal level because our experience indicates that funds of up to \$1 billion a year could be effectively used.

In this connection it is of interest that the Draper Committee, which included in its membership two former Directors of the Budget, concluded that the \$700 million request for fiscal year 1960 was minimal and that in future years \$1 billion would be required.

## HOUSE REDUCTION

The House bill would appropriate only \$550 million. A reduction to this amount would seriously impair the ability of the United States to provide the development assistance required by our foreign policy objectives.

Long-term-loan assistance at an adequate level holds out the real hope for the kind of lasting economic progress which must be made before we can realistically expect the phasing out of the U.S. grant assistance to those countries which still require it. If this drastic cut of over 20 percent in the amount authorized is sustained, it would greatly diminish the possibilities for this progress and would in many countries limit the means necessary for satisfactory development through free processes.

## OPERATION OF FUND

Let me now describe very briefly the operation of the Development Loan Fund. The Board has approved each loan and has satisfied itself that each commitment will result in technically, economically, and financially sound projects or programs that will contribute to economic growth.

In all, as of June 30, we have made a total of 102 loan commitments for specific projects or programs in 40 countries. Each such commitment entered through April 30 of this year is described in detail on pages 25 through 63, the blue pages, of the red presentation book. I have with me a list of all projects approved by the Development Loan Fund to date.

DLF loans have been approved for various sectors of the economies of the less developed countries. About 70 percent of the funds have been committed for undertakings which will provide the economic groundwork for further economic expansion. The major part of the public sector loans have been for transportation and communications, power, and agricultural land development, in that order. About 30 percent of the funds committed are for loans in the industrial sector. Most of the economic overhead projects are in the public sector, much the same as most of the industry projects are in the private sector.

Of the funds committed, 34 percent are for loans to private borrowers or for loans directly benefiting the private sector of the economies. Although we are strongly dedicated to the encouragement of private enterprise, and have made important loans for this purpose, we put great emphasis on the provision through Development Loan Fund

assistance of the essential basic facilities in a country without which private investment cannot play an expanding role.

#### COMMITMENT PROCESS

The commitment process used by the IDLF is virtually identical to that which has been used by the Export-Import Bank for many years. It is a tested and necessary procedure. It starts with the approval of a loan by the Development Loan Fund Board of Directors. Once a loan has been approved by the board it is submitted to the National Advisory Council for its advice and when that advice is received, a formal letter of commitment is given to the prospective borrower. This generally occurs within 2 weeks of Board action and this constitutes the pledged word of the United States.

At this point the U.S. commitment to make the loan is publicly announced in the country of the borrower. At this point our funds are committed and are unavailable for any other use. As the Director for the Bureau of the Budget stated in his recommendation on the supplemental appropriation request, our funds are, in effect, obligated at this point. In short, commitments precede legal obligations by varying lengths of time.

In some instances funds have been committed prior to and subject to approval by the Board of specific projects and programs. I would like to comment further on these commitments in a moment. At this point, I should like simply to point out that, as a matter of prudence, they must be considered charges against our lending authority just as the Export-Import Bank considers similar pledges made by it as charges against its own authority. On June 30, these outstanding commitments totaled \$23,450,000.

When the Development Loan Fund makes a loan, it commits sufficient funds to carry the project or program to completion. This practice is followed by both the World Bank and the Export-Import Bank. Development activities take time to complete. On the average, World Bank projects and programs have taken 3 to 4 years to complete. Development Loan Fund activities are similar in nature. We can expect that about 10 percent to 15 percent of the funds allotted to each project or program will be disbursed for project payments during the first year after a loan agreement is signed and the rest over the remainder of the 3 to 4 year period. This has been the experience of the World Bank and of the Export-Import Bank in the development field.

This means that when fully underway the Development Loan Fund can expect to have a pipeline of unexpended funds equivalent to about 2 full years of operations. Therefore, the unexpended funds of the Development Loan Fund have no connection with its ability to undertake new projects. That ability is measured solely by the amount of uncommitted funds.

As for progress in concluding detailed loan agreements, which constitute obligations in a technical sense, a total of \$623 million has been signed as of June 30. This represents an average of \$62 million per month in the second half of fiscal year 1959.

Expenditures began to flow several months ago. They totaled \$67 million at the end of fiscal year 1959. They are expected to reach nearly \$300 million by the end of fiscal year 1960 and to continue to accelerate thereafter.

## ADVANCE COMMITMENTS

An aspect of Development Loan Fund operations which has been of particular concern to this committee relates to advance commitments. Since it began active operations in January 1958, the DLF has found it necessary on a few occasions to commit funds before approving in detail the specific development projects or programs for which they would be used. The question is: Is this consistent with legislative history which indicated an intention to avoid advance annual aid allocations?

Advance annual aid allocations or levels of aid have, in fact, been avoided. No commitments have been made which involve the pledge of a certain amount of funds on an annual basis or for any specific period of time. However, situations have arisen where the Secretary of State, exercising his legislative authority to provide foreign policy guidance to the Development Loan Fund, determined that it was in the interest of the United States to indicate in advance that a certain amount of funds would be made available for loans to a country from development loan resources. In virtually every case the Development Loan Fund had on hand applications in excess of the commitment and, moreover, in each case the commitment was contingent upon approval of the Development Loan Fund of detailed submissions relative to specific projects or programs. In providing funds for programs we recognize that in some situations loans can best be made to support economic development plans covering broad sectors of the economy, such as railroad, highway, or power programs, which run over a number of years. However, funds are not made available until Development Loan Fund approves specific sound activities for financing.

## JOINT OPERATIONS

Some of the above situations involved joint operations with other institutions and governments. In the latter instances project applications had been submitted prior to the commitment and analysis had already been initiated by Development Loan Fund staff. The staff had reached preliminary conclusions on the projects it was prepared to recommend to the board for approval. However, because of the joint nature of the operations and the need to consider the financing plans and requirements of the other United States and and international agencies, final selection of the projects followed the formal issuance of the commitment.

Since these are commitments to provide funds as and where sound and acceptable projects or programs are submitted, these advance pledges correspond to the "line of credit" procedures which has long been utilized by the Export-Import Bank and which that institution has found to be necessary under certain conditions. The manner in which they have been made enables us to employ the criteria of a sound banking institution. We have, for example, rejected a number of the projects which have been proposed for financing under these commitments.

I should emphasize that we usually operate on an individual project or program basis. Commitments such as I have described here have been employed in only a few situations and then under special and compelling circumstances.

## HOUSE CUT IN ADMINISTRATIVE EXPENSES

I would also like to bring to the attention of the committee the serious situation regarding the House action deeply cutting Development Loan Fund's fiscal year 1960 administrative expenses limitation. The House cut this item, which is a limitation within the appropriated capital, by 15 percent, \$2,050,000 to \$1,750,000. Such a cut would be very damaging, imperiling effective management.

We are not planning on a large Development Loan Fund staff, but it is essential to proceed with its buildup to the minimum level necessary to carry out Development Loan Fund functions properly. Only to annualize last year's level requires more administrative funds in fiscal year 1960. Additionally, the DLF must now increasingly concern itself with the implementation aspects of projects. Experience in other similar institutions would indicate that this will become the largest element of administrative costs as the DLF reaches maturity with projects approved in the first year and a half now moving well into actual construction and operation.

It is well to note that outstanding loans will probably total in the neighborhood of a billion and a half dollars by the end of the fiscal year. In the implementation and audit phase as well as during the initial approval and negotiation, it is imperative that an effective job be done in order to get the very best results from the program and to avoid mistakes or waste.

I cannot urge too strongly the need to restore the full amount of this severe and I feel unwarranted cut made by the House.

To the extent that the Congress is able to meet our request for funds it will help to shorten the dependence of the less developed nations of the free world on development assistance from outside sources. The Congress has the opportunity to hasten the day when these emerging countries will be able to rely increasingly on conventional sources of financing, such as private investment, the World Bank, and the Export-Import Bank.

As a nation, we should remember that the careful use of funds today to promote development affords vitally necessary insurance for our own and our neighbor's peace and progress tomorrow.

## ENCOURAGING COMPETITIVE FOREIGN TRADE

Chairman HAYDEN. I would like to say that like every other Senator I am in receipt of what you might call propaganda from organizations which always use the term "foreign aid" in their opposition to it and I notice that during this year, particularly since there is evidence that the United States will have an adverse trade balance, that the charge continually is repeated that foreign aid is responsible for the development of a situation whereby we bring goods into this country in competition with our own economy.

I should like to know why consideration has been given by the Development Loan Fund to the encouragement of projects abroad which result in the importation into this country of competitive articles.

Mr. DILLON. Senator, that question was at issue not only this year, but also last year. During last year's considerations of the mutual security authorization bill a provision was written into the law which

requires the Development Loan Fund, in considering a loan, to take into consideration and account any possible adverse effect upon the U.S. economy.

So that specific question is considered each time a loan comes before the Board and has to be so considered ever since that was put into the law.

We had thought of it and given consideration to that even before it became a law, but now it is a formal practice and none of the loans for which we have made funds available are of the type that will create what we consider damage to our own economy.

Chairman HAYDEN. Have any instances come to the attention of the Board where there was actual production of new products in foreign countries, as a result of a loan made by DLF, which wound up being imported into the United States?

Mr. DILLON. No, sir; we know of no such instances, Mr. Chairman.

Chairman HAYDEN. Senator Chavez, do you have any questions?

Senator CHAVEZ. No questions.

Chairman HAYDEN. Senator Saltonstall.

Senator SALTONSTALL. I would like to ask two questions, Mr. Dillon.

The President has asked now for \$500 million of the \$1.1 billion of the 1961 authorization.

Mr. DILLON. That is correct.

#### PROPOSALS FOR LOANS

Senator SALTONSTALL. You state on page 5 of your statement that you have used up all the capital that you have available for loans up to and through the fiscal year 1959; is that right?

Mr. DILLON. With the exception of about \$13 million, that is correct.

Senator SALTONSTALL. You say a substantial backlog. How many sound proposals do you have and how much more money do they involve?

Mr. DILLON. We have somewhat over a billion and a half dollars of proposals. I cannot say that all of them are sound. They have all been preliminarily screened so they are worth serious study.

I am sure that when we get into that study we will find that some of them are projects we would not care to do and that some will be projects that the World Bank or Export-Import Bank will be interested in and, therefore, will not go to the Development Loan Fund.

Certainly a great proportion of that billion and a half dollars would turn into sound projects that we would be glad to support. I am certain that the amount will be larger than the \$700 million that we are requesting for the next fiscal year, considerably larger.

#### NEED FOR LONGER TERM FUNDS AVAILABILITY

Senator SALTONSTALL. You state in your statement at several places, and you have stated before, that it is helpful to have the money available in the next fiscal year as well as this year in the interest of sound procedure.

Could you state briefly, very briefly, why that is a sound procedure?

Mr. DILLON. One of the main reasons is that the experience of the World Bank in particular, which has specialized in this sort of thing, has shown that particularly with larger projects such as power dam construction and other major construction projects, it takes a number of years to bring them to fruition. It takes them a number of years to be certain that they are adequately engineered and that they are being done in just the best way possible.

Now, in an institution like the World Bank where there is knowledge that funds are available, both the Bank itself and the country is willing and able to spend the necessary time and effort over a period of a couple of years to prepare for such a loan.

In an institution which relies only on year to year appropriations and where we are not certain that we will have continuing appropriations, nor know what they will amount to, it is very difficult to spend a great deal of time, as much as we would like to ourselves, on developing long term projects. It is also very difficult, much more difficult, to get less developed countries to make that investment of time and effort since they are not sure that funds will be available should the project turn out to be a good one technically.

Senator SALTONSTALL. In other words, if we are going to have this Development Loan Bank at all, it is better to have it on a 2-year basis as a minimum basis rather than an annual basis?

Mr. DILLON. Yes, sir; that has been our position right along.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Chairman HAYDEN. Senator Monroney?

#### REVOLVING FUND OPERATIONS

Senator MONRONEY. Mr. Secretary, do the funds that we lend under the Development Loan Fund go into a revolving fund, or are they paid back into the Treasury when the payments are made?

Mr. DILLON. They go into the revolving fund. They come back into the Development Loan Fund and are available for relending.

Senator MONRONEY. What percentage of the loans made by the Development Loan Fund are entirely in U.S. dollars?

Mr. DILLON. About 20 percent—

Senator MONRONEY. I think you misunderstood my question. At the present, when we lend money from the Development Loan Fund, it all goes out in dollars; does it not?

Mr. DILLON. I think we made one small loan in Brazil in cruzeiros which the Development Loan Fund would buy from the Treasury with dollars.

Senator MONRONEY. In what form does it come back into the revolving fund?

Mr. DILLON. About 20 percent of the loans presently made are repayable in dollars and about 80 percent in various local currencies.

Senator MONRONEY. Are those local currencies free for us to relend?

Mr. DILLON. Yes.

Senator MONRONEY. So there is no restriction on relending these repayments to the Development Loan Fund which come in local currencies?

Mr. DILLON. They are free for relending within the country.

Senator MONRONEY. From the standpoint of the Development Loan Fund will there be any utilization in lending of the local cur-

rencies other than the various special or small use that you mentioned in the cruzeiros loan to Brazil?

Mr. DILLON. I think that once we have these local currencies we will make very good use of them, use very similar to what is being made of local currencies that are presently available to the Government through the Public Law 480 program for development purposes. The latter are handled by the ICA and are reloaned often in conjunction with Development Loan Fund projects.

Senator MONRONEY. There have been very few third party loans of the local currency of one country to another.

Mr. DILLON. That is correct. The local currencies of the less developed countries that don't produce an excess of goods for export are not much use outside the country itself.

As the countries develop and increase in their economic capacity their currencies will become more useful to our purposes.

#### EARMARKING FUNDS

Senator MONRONEY. In our Public Law 480 sales for local currencies we carefully earmark those for nonuse to replace dollar earnings. The local currencies that come back in the Development Loan Fund are not so earmarked; is that correct?

Mr. DILLON. We have the same general problem in the Development Loan Fund. While these are free for relending anywhere we want within the country without specific permission from the country concerned, I do not think that we would be free to buy goods and export them out of the country without agreement with the country concerned.

Senator MONRONEY. Even though it represents repayment on an actual dollar loan?

Mr. DILLON. That is correct.

Senator MONRONEY. I can understand why we earmark these gains to replace dollar earnings when they accept our agricultural surpluses which are less desirable.

But it seems to me when they accept our dollars and they have nothing to pay but local currency, then within the limitations of not creating an inflationary condition in the local country, that these should be made available for third party loans through some source for acquisition of raw materials or other products such as they might at that time have in surplus, I certainly feel that we should give a differential treatment of some kind to the repayment in local currencies for the dollars that are extended, otherwise we, I think, are going to find a whole lot of frozen assets, I mean completely frozen, on 80 percent of the incoming money that will come back from the development loan.

I think it would be a tougher and more bankable operation to apply the same restrictions that we get from Public Law 480.

Mr. DILLON. As I said, Senator, on DLF local currency, we have no restrictions on its use within the country concerned, on the other hand when the Public Law 480 loans are repaid, they can only be used, even within the country, subject to the agreement of the country concerned.

Senator MONRONEY. That is only about 60 percent of those funds.

Mr. DILLON. That is right.



Senator MONRONEY. The rest of them are allowable for defense expenditures within the country or for ourselves, or for development of international commerce which I think is an open-end use for a third party loan if we choose to do it without creating an inflationary condition within the country.

Mr. DILLON. We are free to use the local currencies in the Development Loan Fund repayment for defense expenditures or any other expenditures we want for U.S. uses in the country.

The way that would be done would be simply by selling them for dollars to the U.S. Treasury and then the U.S. Treasury could use them and transfer them to the Defense Department and use them for that purpose.

#### FROZEN CURRENCIES

Senator MONRONEY. There is a great volume of local currencies, \$3,500 million, that is still frozen.

Of course, it is a great help to the countries because we have taken that much currency out of circulation as we keep it frozen. You do not mention in your statement anything about approval, as of this last week, of the national economic study group that was studying the International Development Association proposal which the Senate had asked them to study and report on.

Do you think that in the long run—which is what I favor—maintaining the Development Loan Fund on international lending of hard and soft currencies, and repayment in hard and soft currencies in proportion to the degree of firmness of the currency, will eventually help to spread this burden to other countries who have recovered largely through our aid in carrying this economic development loan?

Mr. DILLON. Yes, I do, Senator, and that is the reason that we have strongly supported and are strongly supporting the creation of this International Development Association.

#### MULTILATERAL LENDING

Senator MONRONEY. If in practice this is found to be preferable to borrowing nations and found to be a more liquid way of carrying on the lending business, do you anticipate that in the future this may grow and our support may become far greater to this degree and that less reliance will have to be placed on the bilateral lending which, from my experience, appears somewhat objectionable to the receptive countries?

Mr. DILLON. I certainly think that is correct, that if we are successful in getting approval of the International Development Association, it will lead to greater reliance on it as a source for loans.

That is something that we do not control ourselves because our contributions to that can only be more or less comparable to what we can persuade other countries to put in.

It therefore remains a truly multilateral institution and does not become dominated by the United States.

I do think that there are certain foreign policy reasons for which we will want to preserve a bilateral instrument, rather, a U.S. Government lending instrument, for the foreseeable future.

While there are certainly some countries and some situations where there is a real preference for dealing with a multilateral institution, there are also other areas and other situations where the bilateral

approach and a purely U.S. Government approach seems to be better and is well regarded by the recipient countries.

Senator MONRONEY. You deserve a great deal of credit for establishing the Latin American Bank which again will be multilateral as regards Latin America. You are interested in the International Development Association, and supported the study of it, whereby these auxiliary international organizations may offer some loop so the long-term development funds, except for special cases, may relieve the Development Loan Fund of a constant heavy replenishment of capital and enable it to revolve the capital or other investments we put in to become a real revolving fund being loaned out and being replenished by repayments on those loans.

Would that not be the case?

Mr. DILLON. I certainly agree that one of our major objectives in promoting these multilateral institutions both the International American Bank and the International Development Association, is to obtain a sharing, a greater sharing of the burden of development with other countries that can and are in a position to help.

As they take over a greater burden, a greater share of the burden, there will be hope and expectation that our share of the burden will decrease.

#### USE OF LOCAL CURRENCIES

Senator MONRONEY. Will not the council's study of the International Development Association offer some hope of use of these local currencies to, first, a limited degree and perhaps later to a greater degree, particularly on raw materials in underdeveloped areas, for lending partly in dollars and partly in local currencies?

Mr. DILLON. Yes. I don't think though that local currencies will be more useful simply because they are in the possession of the International Development Association as opposed to the Development Loan Fund. However, both in that Association and in the Development Loan Fund, and through our Public Law 480 currencies we are going to make a real effort to gradually make these currencies more useful and keep them fully at work.

Senator MONRONEY. I am inclined to disagree with you. If loans are made through an international source, our responsibility in the lending will be diminished and there could be no antagonisms aroused against the individual country if the international banking institution makes the loans.

Therefore, if they can find ways of using them, you take out the diplomatic repercussions by their use; you take away the fear that we were not being generous enough with these other countries.

Therefore, I think we should give special emphasis to all possible uses of local currencies where it will not be inflationary.

Mr. DILLON. Certainly, I agree with you that having them in the multilateral institution would remove any political problem.

The economic problem of the value of these local currencies remains, but it would be purely an economic problem and you could use them to the maximum extent economically feasible.

Senator MONRONEY. And it works out very nicely because it is a subsidiary of the World Bank and the World Bank is an affiliate of the International Monetary Fund for Stabilization, so you have a built-in safety valve against creating inflation by utilizing these local currencies. Is that not correct?

Mr. DILLON. That is correct.

Senator MONROE. That is all I have.

Chairman HAYDEN. Senator Allott, you and Senator Stennis are the only two who have not asked any questions.

#### LOAN FOR FLOUR MILL

Senator ALLOTT. I have just one or two.

Mr. Dillon, with respect to the classification of loans that are being made and perhaps someone else will want to answer this at a previous session it was stated that a loan was being made, was in the process of being made on a flour mill in -----; is that correct?

Mr. DILLON. I am informed that it is not even under consideration by the staff. I know it has never come to the board, but Mr. Perry, who is in charge of loan operations, states it is not even under consideration.

Senator ALLOTT. I certainly did not get it anywhere but in this committee, but I am happy to hear that.

#### SECURITY FOR LOANS

Next, what sort of security does the Development Loan Fund take upon these loans? You stated in your statement that 34 percent of them are private loans—that is, made directly to private individuals or corporations. What kind of security does the Development Loan Fund take for these loans?

Mr. DILLON. In some cases, the only security that we have is the pledge of the credit of the private organization pledged to repay the loan.

We have, in addition, in other cases, had personal guarantees and have had pledges of stock owned by some private individuals and in some places I think there have been mortgages.

But the mortgage principle is one that is not universal around the world, so we cannot do that in every case.

Senator ALLOTT. This is a point that concerns me. We would not make a loan to any of our own people, and we have been through this with our Small Business Administration over and over, where even in corporations that make loans, they force the officers of the corporation and the stockholders to sign the obligations to our Government on an individual basis in addition to the corporate responsibility.

Mr. DILLON. We do the same thing in the Development Loan Fund, depending on the facts of the case.

Senator ALLOTT. It is of concern to me why we do not, I understand, take mortgages or property liens upon the very property we are loaning for.

Mr. DILLON. We have in some cases required that stockholders and investors give their personal guarantee in the same fashion as in these other cases you mentioned.

I think for the technical part of the mortgage business maybe I might ask Mr. Menapace, the Acting Managing Director, to answer that.

## PRIVATE LOANS AND MORTGAGES

Mr. MENAPACE. In every case of the private loan we do go into the question of the equity—the money that is put into the enterprise by the owners. We make sure that the equity investment is in satisfactory relationship to the amount of money loaned.

As to mortgages, we are considering the possibility of mortgages wherever we can have them.

Actually, in some countries, mortgages are not customary and you have legal problems involved in exercising them.

In the second place, the question always comes up whether it is advisable for the U.S. Government to have a mortgage and have to go into court to enforce it.

I think that is an important consideration, too. We are relying more on other forms of security, such as, in the case of the textile mill in the Sudan we have the guarantee of the individual investor and the guarantee of the parent corporation which he controls.

I might say that we also lay down pretty strict rules about the company's ability to borrow from other sources. Sometimes we require subordination of other loans that are in existence.

We restrict dividend payments and we take just about every precaution that we can, short of getting an actual mortgage.

As I say, we are considering the possibility.

## COUNTRIES LACKING PROVISION FOR DEFAULT

Senator ALLOTT. Is there a specific country in the world you can name, Mr. Menapace, where the laws do not have some provision for a lender taking charge of the property in the case of a defaulting debtor?

Mr. MENAPACE. Yes.

Senator ALLOTT. I am very concerned about this thing. I went into it before and I would like a clear-cut answer on what we are doing.

Mr. MENAPACE. There is one country I can name right offhand. That is Liberia.

Senator ALLOTT. They have no means for securing money in Liberia except by open note. Is that what you are saying?

Mr. MENAPACE. That is right. We have a small loan there, and in that case we have the endorsement of two companies who are the owners of the borrowing company.

## DEVELOPING PROJECTS FOR LOANS

Senator ALLOTT. This ties in very much with Mr. Dillon's statement on page 3, which worries me very much. He says:

We have indicated many times in the past, economic development projects take time to prepare and evaluate. Many borrowers are either unable or unwilling to engage in the time-consuming preparations that are required without some assurance that the funds will ultimately be available if the project proves to be a sound one.

I have people who come to me today, day after day, who have spent years of their lives and all of their savings developing projects and are

just looking and begging for money to finance them. Some of them, I am sure, are very sound.

Now, does this not in effect get us on the basis of begging people to take money?

Mr. DILLON. No, sir; not at all.

What I had reference to, what I answered earlier to Senator Saltonstall—that applies primarily to the major projects such as dams and things of that nature which are similar to projects financed by the World Bank which take a number of years to thoroughly prepare and which require considerable expenditure of both money, time, and effort to prepare them.

That is somewhat different from private projects which, of course, are the essence of our free enterprise system. Private individuals do take a certain amount of risk in preparing new projects and developing new ideas with the hope that they will receive profits from them if they should be successful.

The projects I referred to are generally the type of projects where there is no profit motive in them at all.

#### UNCERTAINTY ABOUT CONTINUITY OF FUND

Senator ALLOTT. Let me pin this down so that I understand what you are saying.

If you have a given country, country Z, which needs power very badly and has a very fine damsite, potential damsite, do you mean to say that this country is unwilling to proceed at all in preparing an application knowing that this fund is in existence, or to do the background engineering work which would pave the way for a preliminary application for the commitment of these funds?

Mr. DILLON. All I am saying is that this Fund has not been in existence very long, that the amount of funds that are available to it are open to question every year.

There is not yet a certainty in the minds of these other countries that this Fund is going to continue for the necessary time. Therefore, they are not as prepared to spend the time and effort if they have to look for this Fund 2 or 3 years hence as they would be if there was a continuity to the Fund.

Senator ALLOTT. I understand that and I am in sympathy with that, Mr. Dillon.

#### TYPE OF SECURITY REQUIRED

Now, let us go back to this security thing. Do I understand the answer to be, Mr. Menapace, that the U.S. Government does take in the Development Loan Fund the same security or the maximum security it can take, operating within the laws of the individual country?

Mr. MENAPACE. Yes, sir. We don't insist on a mortgage.

Senator ALLOTT. Why do we not insist on a mortgage, Mr. Menapace? We insist on it when we loan money to our own people.

Mr. MENAPACE. Well, the Export-Import Bank is pretty much in the same position in not taking mortgages. The World Bank covers itself by getting a guarantee of the Government.

Senator ALLOTT. Because they do not do it does not mean that it is not right and should not be done.

Mr. MENAPACE. It depends on the case. Where there is an existing mortgage, we specify that we must get *pari passu* treatment with that mortgage. We go just as far as we can in getting guarantees, pledging of stock, but we have not taken mortgages in many cases.

Senator ALLOTT. I hope sometime this fall I will have an opportunity to come over to your shop and see just exactly what you have on some of these loans.

Now, I have one other question. I started out with the question——

Mr. MENAPACE. May I say just one more word.

As a matter of normal practice in every case we put in the usual negative pledge clause which precludes the company from borrowing or giving security to anybody else without giving us equal security.

#### FLOUR MILL

Senator ALLOTT. Now, referring to my original question about the —— flour mill, I have in my hand a loan statement by the Development Loan Fund, and it says "Loan applications on hand as of June 30, 1959"—on page 7 of that document I find the names of several companies in —— which have applied for loans for the erection of flour mills, and the amounts of the loans applied for.

Now, it was my understanding that the Secretary did not know of these applications. Do you have knowledge of these?

Mr. PERRY. They have been received. The statement that he made was that they were not under active consideration. Our loan officer is not collecting any data on them, they have not been rejected. There was some thought that perhaps some of the American millers might possibly be interested in going in on a joint arrangement.

Senator ALLOTT. You say these are on an inactive status?

Mr. PERRY. Yes, sir.

I think there was discussion of this in the earlier supplemental. At that time I don't think we were quite as clear in saying that they were in inactive status, but they definitely are in that status now.

Senator ALLOTT. Thank you.

Senator CHAVEZ. Mr. Chairman, I want to ask the Secretary a question in reference to what Senator Allott was asking about.

#### SECURITY ON FORMOSAN LOANS

It seems to me that when we had the hearings on the supplemental bill there was some money there for the loan fund, we had testimony regarding some \$68 million for loans to Taiwan or Formosa, to the Government.

What kind of security do we get on that type of loan? Did you make a loan to Taiwan for the building of a dam?

Mr. DILLON. We have made different loans to Taiwan. The total commitments that we have made in Taiwan so far are a total of about \$39½ million.

The largest commitment there is a commitment of \$21½ million which is for the purpose of helping to complete the Shihmen Dam.

Senator CHAVEZ. What kind of security did you get?

Mr. DILLON. I think it is just the pledge of the owning corporation, which is the Shihmen Development Corporation.

Senator CHAVEZ. Is that a government entity?

Mr. DILLON. It is a government entity, yes. The loan is backed in this case by the Government of the Republic of China.

Senator CHAVEZ. Thank you.

Chairman HAYDEN. Senator Stennis.

#### GUARANTEE OF LOANS

Senator STENNIS. Mr. Chairman, I have a brief question here.

About this security, Mr. Secretary, if you have the guarantee or the word of honor of a country guaranteeing the loan it just occurs to me that if they are going to breach that, why, they would breach the terms of any security that you might have in the way of collateral. Is that a part of your consideration?

Mr. DILLON. Our public loans that go to public entities are guaranteed generally by the governments and we think that is the ultimate that you can have.

I think that the loans that Senator Allott was concerned with are loans to private organizations.

Senator STENNIS. That is my question now.

Mr. DILLON. They are not guaranteed by the Government.

Senator STENNIS. That is what I thought you said a while ago, that you had the Government guarantee on all these loans.

Mr. DILLON. Not on all of them.

Senator STENNIS. So there the matter of collateral is pertinent?

Mr. DILLON. We have considered that, but we felt that it was not in accordance with the directive of Congress and the idea behind the fund to insist on Government guarantees of private operations because that would in effect not be promoting private enterprise; it would be promoting Government control of these things.

Senator STENNIS. Frankly, I have not had a chance to attend many of these hearings. I just want to ask one question.

#### TYPES OF LOANS

You refer to your need here of a minimum of \$700 million in your loan fund and that it has been reduced.

Then you say here at the top of page 8:

The major part of the public sector loans have been for transportation and communications, power, and agricultural land development in that order. About 30 percent of the funds committed are for loans in the industrial sector.

What are some of the illustrations? I just have not had a chance to look over those loans. You doubtless have a long list, but could you illustrate that statement with the few examples?

Mr. PERRY. Do you want the private, sir?

Senator STENNIS. I want some of each. You referred to a dam in Taiwan and gave the name of it.

Mr. DILLON. We started here on page 25, which shows the types of loans, it shows all the loans we have made as of April 30 in this Development Loan Fund book.

In the Far East we have made a \$20 million loan for power distribution in Bangkok.

Senator STENNIS. That is a public loan?

Mr. DILLON. That is a public loan and it is tied in with a loan of \$65 million by the World Bank to build the original power dam and

there is a further loan by Export-Import Bank to build a coal-fired power station in Bangkok.

This is the distribution system.

Senator STENNIS. They all tie in together?

Mr. DILLON. They all tie in together.

Senator STENNIS. That is a good illustration.

Now, an explanation of these private loans, that is to individuals or corporations within a country, give us some of those.

Mr. DILLON. I think a very good one is in Tunisia where we loaned \$6,250,000 to a group that is putting up a factory to make pulp out of a kind of grass which they grow there, called esparto grass, which in the past they have exported in its bulk state to England where it was fabricated into pulp.

By having pulpmill in Tunisia, Tunisia will gain something like a million dollars a year in foreign exchange once this thing gets underway. But this was put up by a private group and we financed a portion of it.

Senator STENNIS. You have this list on page 25.

Mr. DILLON. Yes, sir; they are detailed thereafter. Each one is described.

Senator STENNIS. Thank you.

That is all, Mr. Chairman.

#### COMPETITION AMONG LENDING AGENCIES

Senator DWORSHAK. Mr. Chairman, I would like to ask the Secretary a question.

We have had the operation under the International Bank, the World Bank, and the Export-Import Bank, and recently set up and yesterday appropriated money to initiate operations of the International American Development Bank.

I notice on page 25 that under the Development Loan Fund we have in excess of \$600 million worth of loans.

Now, are we going to have some real competition between the Export-Import Bank and Development Loan Fund and the Inter-American Development Bank, or are we going to have some semblance of sanity in the operations so that we will avoid embarrassment and throatcutting? What is the outlook there?

Mr. DILLON. I think we have been quite successful in avoiding it so far and I think we will be even more successful in the future as we go along.

The procedure is that the Development Loan Fund does not undertake any loans until they have referred the particular loan both to the World Bank and the Export-Import Bank and have been informed by those two institutions that for one reason or another they are not able, or are not prepared, to go ahead with that particular loan.

That insures that this follows the provisions of the law that the funds in the Development Loan Fund should be supplemental to, but not competitive with, other institutions.

When the Inter-American Bank gets established one of its major objectives—and there is a provision in the Bank which will allow it to do this—is that it will help coordinate the development assistance from all sources to Latin America. We would presume that practically all loans would go there first and from there if they were not



able to do them all they would then be handed out to the different agencies. It would be fully coordinated.

#### LOANS BY INTER-AMERICAN DEVELOPMENT BANK

Senator DWORSHAK. Most of the loans which will be made by the Inter-American Development Bank will be repayable in dollars except those loans under the special fund?

Mr. DILLON. That is right, all of them except the loans under the special fund.

Senator DWORSHAK. What is that, \$150 million?

Mr. DILLON. I think it is \$150 million to start with.

Senator DWORSHAK. Those will be the soft loans repayable in local currencies.

Mr. DILLON. In local currencies.

Senator DWORSHAK. In this Development Loan Fund a very small proportion of these loans will be repayable in dollars?

Mr. DILLON. 20 percent so far. Our original estimate was that it would be less than that when we started the Development Loan Fund.

Originally, I think the testimony shows, we thought it would be 10 percent, but we have been able, as we worked along, to get a little larger percent, it is now up to 20 percent. We will try our best to get the maximum possible in dollars because it makes the fund more of a revolving fund.

Senator DWORSHAK. Of course, it is obvious that the applicants for the Development Loan Fund will prefer to repay the loans in their own currencies?

Mr. DILLON. That is right.

Sometimes, quite frequently, we provide partly repayable in local currency and partly in dollars. That way we get a portion of dollars that we would not be able to do otherwise.

Senator DWORSHAK. I hope you can avoid competition because instead of engendering good will and building up friendly relations we will probably offend many of those countries because we get embroiled in controversy and competition, and which is possible, but it certainly should be avoided.

I have one question of Secretary Shuff.

#### AID TO DENMARK

When we were discussing military assistance I notice that Denmark for 1959 had ——— and the budget for 1960 provides for ———. Is that an increase from ——— to ——— dollars for Denmark?

Mr. SHUFF. Yes, sir; it is.

Senator DWORSHAK. Can you briefly give us an explanation?

Mr. SHUFF. Yes, sir.

That is a cost-sharing proposition in which the United States and Denmark are getting together in order to accomplish something which she has to accomplish in the building of ships to meet her NATO MC-70 requirements.

Senator DWORSHAK. You said cost sharing. Does that mean that we will recover any part of that ——— dollars?

Mr. SHUFF. No, sir; we won't recover it, but instead of giving the ships as grant aid, we are putting up 50 percent of the money, to build

the ships, and Denmark will put up the other 50 percent and the ships will be built to meet the MC-70 goals of NATO.

Senator DWORSHAK. Thank you.

Senator SALTONSTALL. Mr. Dillon, while you are here I have one question.

#### SECTION 103 LANGUAGE

Mr. Scott called this to my attention. You object to section 103 in the bill which was a section stating that loans for flood control should meet the standards that we require in this country.

Then there was this section proposed which I understand was drafted by your office and which would be acceptable to you if the committee wanted to adopt it.

Proposed substitute section 103: "Section 103. None of the funds herein appropriated for defense support, the Development Loan Fund, special assistance, or the President's Special Authority and Contingency Fund shall be used to finance the construction of any new flood control, reclamation, or other water or related land resource project or program unless and until there is prepared on the basis of all available data a detailed evaluation which provides reasonable assurance that the total benefits, including furthering the objectives of the Mutual Security Act of 1954, as amended, of such project or program will be at least equivalent to the total costs thereof."

Is that the language you believe will be satisfactory and the present language in the bill put in by the House would be impracticable?

Mr. DILLON. That is correct. The language put in by the House is totally impractical and is not possible to operate under.

This language is drafted in an attempt to meet the views of the committee as expressed when I was here the other day.

Senator DWORSHAK. Thank you.

#### RECOVERY FROM DANISH GRANTS

Senator STENNIS. I have one question with reference to the loan to Denmark.

You say we put up half the cost of building of ships. What was the recovery plan you mentioned? Is that to be paid back?

Mr. SHUFF. No, sir.

Senator STENNIS. Is it a grant, then, to that extent?

Mr. SHUFF. The half that we put up is a grant.

Senator STENNIS. That is not part of a NATO commitment in any way?

Mr. SHUFF. No; but the product—

Senator STENNIS. I know, goes to that end.

Mr. SHUFF. Yes, sir.

Senator STENNIS. Do you have other loans of that kind? I did not know that.

Mr. SHUFF. It is not a loan, Senator.

Senator STENNIS. Well, grant?

Mr. SHUFF. It is a grant in order to have the other country take a larger portion of the costs.

Senator STENNIS. In other words, the ship is what you need and they cannot go that far themselves?

Mr. SHUFF. That is right.

Senator STENNIS. So you put up half the money. I am not asking this critically, I just did not know that we were doing that.

Now, with what other countries do we have that similar arrangement?

Mr. SHUFF. We are doing it in somewhat different form in the production of the Hawk missile system in Europe. There are five countries involved and we are helping them with our technical know-how and manufacturing experience of the weapon here so that they can manufacture this weapon for their own order.

Senator STENNIS. Thank you very much.

Chairman HAYDEN. Are there any further questions?

Mr. DILLON. Mr. Chairman, there is one other item of general interest, not the Development Loan Fund, that I would like to mention at this time.

#### NEED FOR TRIANGULAR TRADE UNDER SECTION 402

Our study of the situation regarding section 402 of the Mutual Security Act which provides that \$175 million of economic assistance should be furnished in the form of agricultural products, shows that as of now it looks like this goal cannot be met unless we have as much as \$70 million of this in the form of triangular trade.

That is where we sell the agricultural products to a country in Europe, an industrialized country, and obtain with that credits which are then used in underdeveloped countries for purchase within that European country.

We think that this triangular trade is always complex and this is a larger amount than we have done in the past, so it will be difficult to get as high as \$70 million.

To the extent that there are further cuts in defense support and special assistance below the authorized level, the problem will become even more difficult, and I just wanted to state for the record that it may be impossible to reach this \$175 million figure, and it may become necessary during the course of the year for the President to use his authority to waive some portion of this requirement.

We will make every effort to meet it, but it may not be possible.

Chairman HAYDEN. That will not require a change in the law?

Mr. DILLON. No; nothing. I just wanted to state the fact that it may happen.

#### PREPARED STATEMENT

Mr. MENAPACE. Mr. Chairman, we would like permission to submit a statement which I have prepared for the committee.

Chairman HAYDEN. Certainly. Any statement you have prepared by members of the staff may be included in the record.

Mr. MENAPACE. Thank you.

(The statement referred to follows:)

#### STATEMENT OF HON. ROBERT B. MENAPACE, ACTING MANAGING DIRECTOR, DEVELOPMENT LOAN FUND

Mr. Chairman, as Acting Managing Director of the Development Loan Fund, I am responsible for supervising its detailed day-to-day operations. It is from this point of view that I should like to supplement Secretary Dillon's remarks by detailing our progress and accomplishments thus far, by explaining how the staff and the Board of Directors go about making loans and by indicating what it takes to administer a lending operation such as this.

Before I describe the operations and accomplishments of the DLF I should like to refer to the sharp cut in the administrative expenses limitation made in the House bill. This item, which is part of, not additive to the appropriation, was reduced \$300,000 below the limitation requested from \$2,050,000 to \$1,750,000. At the end of this statement is a detailed analysis of the severe impediment this cut would be to DLF's efficient management of U.S. resources. The major point is that \$2,050,000 is the minimum amount necessary to do a fully effective administrative job in fiscal year 1960.

In 19 months of active operation, I believe the Development Loan Fund has compiled an impressive record of processing loan applications for economic development. Out of the \$3.3 billion in applications which the DLF has taken under consideration up to June 30, \$838 million had become loan authorizations and commitments, and \$941 million were no longer under consideration, leaving slightly more than \$1.5 billion still on hand.

Our 102 loan authorizations and commitments and 1 guarantee agreement will finance activities in 40 different countries. As of June 30, 35.9 percent of our loans, in terms of value, went to south Asia, largely India and Pakistan; another 21.3 percent went to the Far East; 20.6 percent to the Near East; 7.9 percent to Latin America; 9.4 percent to Europe; and 4.9 percent to Africa.

The loans have been directed to a variety of economic purposes, with about 70 percent going for basic facilities such as transport, communications, and power and other basic needs. The remainder have been largely in various types of industry, largely to private borrowers directly benefiting the private sector.

The main categories are as follows:

|  | Percent |
|--|---------|
| Transportation and communications.....                           | 36.2    |
| Power.....   | 18.7    |
| Food and agriculture (including irrigation).....                 | 7.6     |
| Health and sanitation (including water supply and sewerage)..... | 3.5     |
| Others (nonindustrial).....                                      | 2.9     |
| Industry.....  | 31.1    |
| Total.....   | 100.0   |

In this manner, we are helping lay the economic groundwork of basic facilities for the attraction of domestic and foreign private capital which have little interest in making investments in basic facilities.

About one-third of our loans will directly benefit private enterprise in the less-developed areas. As of June 30, a total of \$115 million in 32 loan commitments have been made directly to private borrowers, or mixed public-private enterprises and another \$170 million was in the form of credits to governments enabling the purchase of equipment by local private industries or for investment funds to be relented to small private investors. Furthermore, over 20 percent of our loans will be repaid in dollars and the balance in foreign currencies. Their average term is about 15 years and the interest rate charged averages about 4.3 percent.

Each of our loans approved through April 30, 1959 is described in the blue pages—pages 25 through 63—of the red presentation book. While we are prepared to discuss any of these loans with you, or any of the more recent loans, I would like to single out three particular transactions which suggest the scope and flexibility of our operations.

One loan is to the Government of Pakistan for \$15,200,000 for equipment to install approximately 1,800 tubewells in a food-growing area in West Pakistan. The tubewells are part of a large land reclamation project to reclaim initially about 1,596,000 acres of saline and waterlogged land. As Senator Ellender stated in his report on the country on his 1956 visit, Pakistan's "primary problem is a shortage of food." The completion of this project will place land under food cultivation in an area where high salinity and a high water table is causing 70,000 to 100,000 acres to be lost to food production annually. The development of West Pakistan's ground water resources will contribute to a solution of Pakistan's food deficit problem which has worsened with population growth in the past years and has necessitated substantial import assistance. The engineering consultants on this project are the Denver, Colo. firm of Tipton & Kalmbach.

A loan for \$20 million has been concluded with the Metropolitan Electricity Authority, an agency of the Government of Thailand. The proceeds of the loan will enable the agency to meet the foreign exchange costs of establishing a 250,000-kilowatt power distribution system for the Bangkok area.

The distribution system will permit Bangkok to utilize output from the Yanhee hydro project, which is being supported with extensive financing by the World

Bank. The DLF loan was made concurrently with a \$14 million credit by the Export-Import Bank for a new 75-megawatt thermal power installation. The distribution system will also use power from this thermal source. These closely interrelated projects will play a major role in Thailand's economic development and provide groundwork for private industry development. Critical power shortages have inhibited the growth of many sectors in the economy.

Another loan is one concluded with a Tunisian corporation owned in part by the Government and in part by private American interests. With up to \$6,250,000 to be provided by the Development Loan Fund, the corporation will purchase from abroad equipment, materials, and services required for a new esparto pulp production facility. In this project we also took the opportunity to require that a portion of the debentures be convertible.

Esparto grass is an indigenous plant grown in Tunisia. Its conversion into a semifinished product—pulp—will greatly increase its export value. It is estimated that the resulting net improvement in the Tunisian balance of payments will be in the order of \$1 million annually.

As I have indicated, the Development Loan Fund by June 30, 1959, had taken under consideration close to \$3.3 billion in loan proposals. Now, when we talk of proposals being under consideration, we refer to applications which have passed a preliminary screening. They have been screened by my special assistant or by one of our loan officers and found to have no obvious deficiencies in meeting DLF criteria. However, to be acted upon ultimately, either favorably or unfavorably, they require more intensive review and investigation. In short, these screened proposals, of which we have more than \$1.5 billion on hand right now, do not represent all of the proposals that have been received. Because many are presented initially in oral form by responsible applicants and because many proposals, both written and oral, are often made without quoting a specific loan amount, it is impossible to estimate the total applications made to the DLF. We do know, however, that a total of more than \$900 million in written applications have been turned away, without being entered on our backlog of applications under consideration, in the period June 1958 through June 1959.

As I have indicated, even after a proposal is accepted for consideration it may have to be turned away for a variety of reasons. For example, of the \$940.8 million in this category as of June 30, 1959, \$374.3 million were transferred to other lending institutions for consideration. As a result of our normal procedure which permits the Export-Import Bank to review each proposal as received, that institution has expressed an interest in about \$240 million. The DLF is, therefore, no longer considering them. An additional \$316.4 million in proposals we have accepted for consideration were later withdrawn or found to lack sufficient information. Finally, \$250 million did not meet DLF lending criteria as the result of more intensive review.

The DLF signed its first loan agreement a little over a year ago. By the end of fiscal year 1958 signed loan agreements, or formal obligations, totaled \$102.1 million. On June 30, 1959, they totaled \$623.3 million. Consequently, loan obligations incurred during fiscal year 1959 were \$521.2 million. We estimate that \$700 million in obligations will be incurred in fiscal year 1960 from loan commitments made in fiscal year 1959 and from new commitments.

Repayments under loans and guarantees have already begun. Interest and guarantee fees earned totaled \$815,000 as of June 30. We have also now received our first payments of principal which total \$75,000 as of June 30. At the end of fiscal year 1959 our cash collections of interest and fees together with repayments from loans totaled about \$367,000. These receipts become available for re-lending.

To complete the current picture of the Development Loan Fund's fiscal status, its cumulative expenditures—or disbursements against signed loan agreements on June 30 totaled \$67.1 million. We anticipate that about \$200 million will be disbursed during fiscal year 1960. This rate compares favorably with the disbursement experience of comparable lending institutions.

## II

I have noted in a general way some characteristics of the loans we have made. I should like now to give you some indication of the lending process. In making loans, we have benefited from the many years of experience in this type of activity compiled by the Export-Import Bank and the International Bank for Reconstruction and Development. We have relied to a considerable extent on that experience in establishing our own procedures and organization.

The focal point in our lending activity is a team of three men, a separate team being assigned for each project loan proposal taken under active consideration. These three, called a loan committee, are assigned a project proposal when review gets underway and are responsible for handling it through every stage of analysis, presentation, and implementation if a loan is made. The team consists of a loan officer—who acts as chairman and as the locus for all staff action and recommendations—an engineer and a lawyer.

When the Committee first analyzes an application, it ascertains whether certain basic information is on hand. If not, it asks the applicant sometimes with the help of the ICA mission or embassy in the field, to supply the additional information needed for a thorough examination. It is sometimes necessary for members of our staff to visit the applicant in the United States or abroad, or to visit the locale of the project to obtain needed information.

It is the responsibility of the applicant to provide engineering, economic, and financial data on the proposal. The Committee analyzes these submissions. It must have, if relevant, a detailed description of the item or services to be produced, the source of needed raw materials, the markets to be supplied and any competition existing or anticipated, and the transportation associated with the raw materials and finished products. The Committee directs particular attention to a detailed breakdown of costs, in local and foreign currencies, to an analysis of all sources of funds including that already invested or to be invested by the applicant. It seeks to learn what other sources of funds might be available to the applicant—that is, whether private investment or banking sources have been approached before coming to the DLF, or whether appropriate international or foreign public institutions have been approached. The Committee wants to know how the proposal relates to the development of the country in which it is located and the efforts the applicant has made to obtain funds from existing sources. The Committee must have, if relevant, the most recent regularly prepared balance sheets and profit and loss statements, or pro forma statements if the enterprise is new. Among other things, it must have biographic data on the management as well as credit references. If a government agency, it must have the names and positions of the persons who will be responsible for carrying out the project. And the Committee must have from the borrower an indication of how he proposes to carry out engineering, purchasing, construction and management. While the foregoing reflects only partially the scope of the Committee's investigation, I think it will confirm that their analysis is both intensive and wide ranging. We believe that only by proceeding in this manner can we fulfill our mandate of making only loans that are economically and technically sound, give promise of contributing to economic growth, and present reasonable prospects of repayment.

I should note that, while the basic data and justification must come from the borrower, the Committee also uses other information and advice supplied by various sources within the Government and outside. It seeks from field missions of the ICA and the State Department, for example, overall economic data on the country concerned. It also looks to other Washington agencies, such as the Departments of Commerce and Agriculture, for information and judgments regarding the possible adverse effect of the proposal on the U.S. economy.

Once the DLF staff is satisfied that the proposal meets its criteria, a proposal is drafted for consideration by the Board of Directors. This paper describes the proposal in detail, evaluates it in terms of existing lending policies, indicates the viewpoint of the relevant Embassy and ICA missions and proposes the terms and conditions to be offered. Before presentation to the Board, the paper is reviewed by representatives of each of the Directors and discussed at a staff-level meeting.

As the foregoing suggests, the operations of the DLF are coordinated with those of other agencies in a variety of ways. The views of the appropriate Embassy and USOM are considered in the normal course of review. Representatives of the State and Treasury Departments, ICA and Export-Import Bank screen each proposed loan at a staff-level meeting. Their superiors review each proposal as members of the Board of Directors. And after the Board approves a loan it is submitted to the National Advisory Council on International Financial and Monetary Problems for advice. That body includes the Secretaries of Treasury, Commerce, and State, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Export-Import Bank, and the heads of other agencies on an ex officio basis.

After the advice of the NAC has been received, a letter of advice is sent to the borrower informing him that a loan in a given amount for a specific purpose has been approved; outlining the basic terms and conditions of the loan; and either attaching a formal loan agreement or indicating that it will soon be dispatched

for his signature. This letter constitutes a formal pledge by the U.S. Government to make a loan and, generally, is followed promptly by a public announcement.

As a result of this complete process, the terms of the loan and often some of the details of the projects as finally approved by the Board of Directors will as a rule be markedly different from the proposal originally submitted by the applicant. In other words, we evaluate in detail the terms and conditions and the scope of the loan proposed against our own criteria. We have excluded financing for working capital if this has been requested. Frequently, the principal has been smaller, the interest higher, and the maturity shorter than requested by the borrower. Normally, the loan covers only foreign exchange costs of the project, the borrower providing the local currency. With respect to private projects, we generally expect the private investors to put up at least half the total cost of the project. Many times for example, we have required an equity participation higher than originally offered.

Upon approval of a loan, the DLF staff negotiates with the borrower on a detailed loan agreement. This agreement is necessarily a technical document which incorporates all of the terms on which the loan is made. In many respects the agreement resembles the loan agreements employed by the International Bank for Reconstruction and Development and the Export-Import Bank. It is a businesslike agreement, which we believe fully protects the interests of the United States.

Each agreement is tailored to a particular loan. There is no form applicable to all loans. A typical loan agreement with a government is comprised of about nine articles, each containing several sections.

The first article sets out the sum being loaned, defines the purpose of the loan and specifies the eligible uses of the financing.

The next article states the terms of repayment. It established a precise schedule of repayment and specifies the interest rate to be charged. In those cases where the DLF lends dollars and receives payment in other than dollars the article contains provisions which require the borrower to adjust the amount of his payments so as to maintain the original dollar value of the loan in the event that the value of the currency of payment changes. This provision secures for the DLF the most favorable rate of exchange existing for capital transfers. The rate specified is essentially that which the borrower would have to pay in local currency to buy dollars if repayment were in dollars.

The next article empowers the DLF to request promissory notes in various forms in order to allow it to rotate its capital through sale of the notes to others when possible. Article IV specifies the way in which disbursement is to be made and the date after which disbursements will not longer be made.

Article V sets forth the various conditions which must be met prior to disbursement, such as the submission of evidence that the agreement has been validly entered by the borrower and approval by DLF of engineering and construction firms.

Articles VI and VII list various rules governing procurement and operation of the project or program. These include our 50-50 shipping requirement, notice to potential U.S. suppliers—especially small businessmen, and maintenance of books and records. Article VIII provides a variety of remedies for the DLF should the borrower breach the loan agreement and the last article contains a number of miscellaneous provisions.

When the loan is to a private borrower, the agreement follows the same pattern but contains a number of additional conditions to protect the interests of the DLF. These conditions differ, according to the nature of the project and the corporate structure of the borrower.

The active interest and participation of the DLF does not end when the loan agreement is signed. In fact, we anticipate that, like the World Bank, a large part of our staff time will be spent in overseeing the execution of approved projects and programs. Our basic philosophy, which is similar to that of the Export-Import and World Bank is that it is the borrower's responsibility to carry out the operation. Accordingly, we tailor our implementation requirements to the individual borrower, adjusting then to his particular capabilities and the nature of the project or program. For example, where construction is involved, we retain the right on our own or through an agent to approve detailed engineering drawings, we require the borrower to retain a consulting engineer approved by us to oversee the operations of an actual construction firm, we require DLF approval of the construction contract, and we require regular progress reports. Audit requirements too are worked out to fit the particular characteristics of the projects. These and many similar requirements are specified in detail in a letter of imple-

mentation which is dispatched to the borrower after the loan agreement is signed. The purpose of the letter is to inform the borrower of the particular, detailed conditions with which he must comply in order to secure the use of the borrowed funds under the loan agreement.

Finally, progress is observed through on-the-spot inspections where appropriate, by DLF staff or by ICA field missions.

### III

The Development Loan Fund requested that a limitation of \$2,050,000 be enacted for fiscal year 1960 on the amount of corporate funds that could be used for administrative expenses. This amount, representing an increase of \$800,000 over the limitation of \$1,250,000 enacted for fiscal year 1959, was requested in order to enable the DLF to provide staff and services adequate to carry out a loan program which can be expected to be in the neighborhood of nearly \$1.5 billion by the end of fiscal year 1960. The House bill allows an amount of \$1,750,000, or a reduction of \$300,000 below the estimate.

The action of the House in reducing the limitation would cause the DLF serious difficulty in effectively administering this important segment of the mutual security program.

In requesting that this committee restore the limitation to the amount of \$2,050,000 proposed, I should like to point out several facts concerning the DLF and its method of operation.

First, the limited amount requested for administrative expenses is not an additional appropriation; it is rather a limitation on the amount of corporation funds which can be used for this purpose in fiscal year 1960.

Second, as a new organization, the DLF began fiscal year 1959 with a low level of employment and slowly built up its staff to the June 30 level of 70. Thus, merely providing full-year salary costs for this level would require higher administrative funds than were required in fiscal year 1959.

Third, the increase requested for fiscal year 1960 provides for some additional positions in the DLF and in ICA to handle the increased activity involved in implementing approved loans, to carry on an adequate audit program, and to meet full-year costs of staff buildup that occurred gradually in fiscal year 1959.

Fourth, the proposed limitation of \$2,050,000 which we are requesting would constitute approximately three-tenths of 1 percent of the fiscal year 1960 increase in capital proposed. This percentage compares favorably with the cost of administering comparable lending institutions.

The executive branch does not plan on a large DLF staff, but it is essential to provide the minimum level necessary to carry out its functions. The utilization of resources of other Government agencies on a reimbursable basis is contemplated so as to permit a DLF staffing pattern for fiscal year 1960 of only 103 persons as now estimated who would be responsible for a highly complex financial operation that as previously indicated will be in the magnitude of about \$1.5 billion.

In determining our staffing pattern, we regard the DLF staff and the positions for which we reimburse ICA as a whole. We estimate that the performance of our responsibilities in fiscal year 1960 requires the 103 positions on the DLF staff as well as the 62 positions for which we reimburse ICA. Experience will show whether it is better to add personnel to the DLF staff to perform some of these functions, which are largely related to the financial implementation and audit of DLF loans, or whether we should continue to rely heavily on other agencies. Therefore, in any readjustment of DLF staffing which might be necessary in the future, we might distribute the workload differently as between DLF staff and the staff support we receive from ICA.

The reduction proposed would have a critical impact on DLF operations:

(1) The DLF workload will be substantially higher in fiscal year 1960 because of the time and attention that will have to be devoted to the highly important work of implementing loans authorized in fiscal year 1958 and fiscal year 1959. In addition, there will be the continued workload which accounted for most of this year's staff time, namely, the processing of new loan applications.

(2) In projecting its fiscal year 1960 administrative expenses, DLF utilized minimum ICA estimates relating to financial administration and auditing operations which are performed by ICA for DLF. At the same time that the Congress is emphasizing the need for more effective administration and has authorized the establishment of an inspector general and comptroller for the mutual security program, it would, through a cut in DLF administrative funds, force the DLF



to cut back from executive branch estimates of the staff necessary to assure the efficient administration of DLF loan funds.

(3) One of the major lessons learned in DLF's 19-month history of active operations is the urgent need for DLF staff to spend much time in the field evaluating loan applications and checking projects underway. In previous months we have not been able to free staff as much as we judged necessary for field inspection. Now, at a time when increased implementation activity is underway, the DLF would have neither sufficient funds for essential travel nor sufficient personnel to send out if the cut in administrative funds is maintained.

(4) The provisions of the authorization act reducing the reserve requirements for DLF guarantees are intended to expand private participation through this means in DLF loans. This is a desirable measure and forward step, but may have manpower implications that could not be absorbed within the total DLF administrative expense limitation if the committee cut is maintained.

(5) Since developing the administrative estimates, it has been found necessary to establish a central files unit which has further increased the personnel requirements of DLF.

The committee has been presented with our detailed administrative expense estimates. I shall be glad to answer any questions you may have on this subject. I should like, however, in summary to say this: I believe the Development Loan Fund staff has done an outstanding job under an extraordinary workload in launching this vital program. But we must be prepared now with adequate additional staff to handle the sharply increasing burden of implementation. This committee knows how important it is in administering this kind of program to be able to respond quickly and decisively as projects are carried out in order to avoid mistakes. Congress has repeatedly shown its concern that there be more adequate emphasis given to this phase. While in the operation of our program we strongly believe that the borrower must have the prime responsibility in fulfilling his project, we must develop further our abilities to follow progress carefully, to help in meeting problems, and where necessary to take imaginative and decisive action in protecting the aims of the program.

We are proud of our accomplishments with a remarkably small staff and have every intention of keeping the size modest. The need for the increase is inescapable if we are to do the intended job well. I have gone over the requirements in detail personally and our staff has been kept small, adding only when absolutely necessary. This has been the spirit behind this request.

Mr. Chairman, this concludes my prepared statement. I hope that I have conveyed to this committee the fact that the DLF, only recently created by the Congress, is now a functioning lending institution, operating in the businesslike manner that the Congress intended.

#### COMMITTEE RECESS

Mr. DILLON. Thank you very much, Mr. Chairman.

Chairman HAYDEN. Thank you, gentlemen.

The committee will stand adjourned.

(Thereupon, at 12:40 p.m., Wednesday, August 19, 1959, the committee was recessed, to reconvene at 10:30 a.m., Thursday, August 20, 1959.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

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THURSDAY, AUGUST 20, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Ellender, Young, Dworshak, and Allott.

## MUTUAL SECURITY

CITIZENS FOREIGN AID COMMITTEE

### STATEMENT OF DR. CHARLES CALLAN TANSILL

#### GENERAL STATEMENT

Chairman HAYDEN. The first witness, I believe, is Mr. Charles C. Tansill.

Unfortunately, on account of other demands, we have to limit the time. It has been agreed that Mr. Tansill shall address the committee for 20 minutes.

Mr. TANSILL. My name is Charles Callan Tansill. For the last 43 years I have been professor of American diplomatic history in international relations in five different universities.

For 10 years, from 1918 to 1928, I served as technical adviser to the Senate Committee on Foreign Relations.

I have written 10 books in this particular field.

#### FAILURE OF MUTUAL SECURITY

Today I have the privilege, Mr. Chairman, of speaking as a member of the Citizens Foreign Aid Committee on the important topic of the failure of mutual security.

Since 1945 we have been told that America's existence will be gravely imperiled if we are not a member of some important system of mutual security. And since that time we have poured some \$70 billion into certain important foreign countries for the purpose of strengthening their economic foundations and developing their military potentials.

The idea seems to be that, through these expenditures, we are building up important foreign friends. I think in many ways it is a means of bankrupting America to bankroll the world.

## HISTORY OF MUTUAL SECURITY CONCEPT

For a thousand years very important statesmen, religious leaders, emperors, and kings have dreamed up plans for world peace through mutual security. Pierre Dubois, Immanuel Kant, William Penn, and a series of others, have produced these plans of mutual security.

In 1815 we had our first experience with one of these plans. The Emperor Alexander I produced the Holy Alliance which would cause and insure world peace after the long wars of the French Revolution.

We were invited to belong to this league of nations and the peace societies in the United States were anxious for us to go in.

However, on July 5, 1820, our Secretary of State said: "No, we thank you for the invitation, but we are not going in."

Now thanks to the wise counsel of George Washington we had no entangling alliances with any foreign power, but in Europe the situation was completely different. After 1871 a system of alliances developed in Europe with the idea, of course, of insuring peace on that continent.

Now in 1882 we had the famous Triple Alliance between Germany, Austria-Hungary, and Italy, and that, of course, in 1894, was succeeded by a very important military alliances between Russia and France.

Now Great Britain comes into the picture in an interesting way. Isolationists, of course, for a long period, but in 1904 she joined France and Russia. In 1902 Great Britain had that very important alliance with Japan so that Japan could guard the lifelines of the empire in the Far East.

Now we had no alliance of any kind, but in 1898 a new factor entered into the international equation. John Hay went over, first of all, as our Ambassador to the Court of St. James in 1897. He was an ardent Anglophile. He brightened the dull routine of ambassadorial duties by writing sonnets to Mother England. He comes back in 1898 as our Secretary of State.

We, therefore, formed an understanding with England, a very close and intimate affair.

From 1898 on our fortunes have been very closely tied with Mother England. It did not suit England always, of course, to have this understanding with us.

Now in 1904 the Russo-Japanese War broke out. England was tied with Japan and we were thoroughly pro-Japanese, but Theodore Roosevelt did not want Japan to score a decisive victory. He had a theory of balanced antagonisms in the Far East.

## FAR EAST POLICY

Let me say also we had a definite policy in the Far East, the policy of John Hay in 1899 and the following year a more important note. That was the note of July 3 of 1900, where we announced to the world that we were very anxious to support the territorial integrity of China.

But England was not interested in China at all. So in 1907 and in 1910 her allies, Russia and Japan, enter into an understanding to divide up a great part of China.

It was rather a blow to us and Anglo-American relations, but there it was.

Now we come down to 1914, America had seen now for over a decade through English eyes. When the war broke out, the First World War, which, by the way, was supposed to be a local affair at first—when that war broke out, in the United States opinion was thoroughly proallies, very much so. There was a financial factor; 500,000 Americans had invested in the Allies success and it was a most vocal element in America; all the banking groups, editorial groups, men with money. The result is that we had a common tradition of culture, English language, and English literature and England was our best customer and we were very anxious to preserve her.

One of the reasons we turned against Germany was that her submarine warfare threatened American exports to Europe and those exports were \$2 billion by 1917 and had lifted America out of a very serious economic depression.

#### POLICIES OF WOODROW WILSON

Now Woodrow Wilson, I don't think, wanted war at all. I have gone through all the Wilson manuscripts. I happened to be writing a life of Cordell Hull. I went through the Wilson papers because the two men were very close together.

I think Wilson was pushed on the road to war by his aggressive Secretary of State, Robert Lansing, and, of course, by Colonel House.

The interesting thing that we go to war, but first of all we are going to sever diplomatic relations with Germany on February 3.

Now in 1917, inevitably we go to war and helping her along. How did she repay us?

On February 16, 1917, in a treaty with Japan she gave Japan all the German lands in the Pacific north of the Equator. We had to take those islands back at a terrific cost in American lives.

I have often wondered in his midnight hours Winston Churchill was plagued by the ghosts of those boys who died on the islands given by the secret treaty.

#### PUNITIVE PEACE OF VERSAILLES

In 1918 the war was over. Then you are going to have the punitive peace of Versailles.

Let me say at Paris again Woodrow Wilson was deceived very badly by England in the Pacific. Of course, with respect to the island of Yap, as one goes through Wilson's correspondence, you can see how thoroughly angry he was how England and France had turned over that island of Yap and how important it was to Japan, behind Mr. Wilson's back.

Now, we come, of course, after the war, and we are not a member of the League of Nations. President Harding has been persuaded to call an arms conference in Washington.

#### NINE POWER TREATY OF 1922

Out of that arms conference not only came an agreement for limitation of arms, but you had the Nine Power Treaty of February 6, 1922.

Now, we had the idea that these alliances and treaties were very important. We had an understanding with England and now we had,

of course, a Nine Power Treaty with the nine powers who had extensive interests in the Far East.

People had an idea that would preserve peace in the Far East, but it was not enough.

Now, of course, the peace of Versailles could only be kept if peace were maintained throughout the world. It was a punitive peace and Germany did not like it.

#### KELLOGG-BRIAND PEACE PACT

Now, in order to enable, of course, England and France to maintain their spoils of war, we signed the Kellogg-Briand Peace Pact of August 27, 1928, outlawing war.

The only way the peace of Versailles could be broken and rectified was through war.

Our 55 nations, of course, were guaranteeing the peace would be maintained. Poor Kellogg did not realize all the implications in those specific paragraphs.

When he was succeeded in 1929 by Stimson, Mr. Stimson right away saw martial meaning in all those paragraphs and he said, "Why, neutrality is out."

"No," said the Senators, "that is not true at all."

"We had spoken to Kellogg and Kellogg said no military implications or sanctions behind the Kellogg-Briand Pact."

Stimson said, "I think there are."

In 1929 he had a chance to strut his stuff. Now, we find a very serious amount of friction brought out in 1929 between China and Russia in Manchuria.

Now, Stimson sent a note, "My, my, you are having trouble over there, but you are dedicated to peace."

Russia said, "Peace is our passion."

Of course, the Chinese said the same, but the play on the planes of North China was very rough.

And Stimson was afraid that these merry Muscovites might as a matter of fact, take over Manchuria in a friendly game.

Now, the result is that Mr. Stimson invoked the Kellogg-Briand Peace Pact. It did not do any good at all. Russia laughed at it and Russia gained her victory in 1929 in North China without the slightest trouble.

Many people had an idea the alliance system is fine, the League of Nations would work.

#### ITALIAN INVASION OF ETHIOPIA

In 1935 they had a great surprise coming. Mussolini looked with inquisitive eyes upon the riches of Ethiopia and moved in.

Now, the League was very much disturbed and many English papers thought it would not amount to much.

The Italian soldiers could not possibly take Ethiopia, the climate was bad, heavy rains, too many mosquitoes, but the Italians moved into Ethiopia and made a mockery out of collective security.

The British had to recognize Ethiopia. They did, of course, swallowing very hard, but they did it.

Now, in 1939, you have the outbreak, of course, of the Second World War, and remember, the League of Nations, of course, was impotent in that regard. Here you had France and England who tried very hard to get Russia to go into a bargain with them to stop Hitler.

Instead of that, Russia went in with Hitler and in 1939, September the first, you have the Second World War.

As I said, the League of Nations was impotent to keep peace, as a matter of fact, to keep peace in Ethiopia, completely impotent in September 1939.

#### SECOND WORLD WAR

After 1939, of course, the Second World War comes along and America is deeply interested in this. Slowly we are drawn in the war by many, many forces.

I need not go into detail; I have written a long book on that, which I will not bore you with.

But at the same time we were drawn in a Second World War. Now, at the close of that war, many people had an idea the League of Nations would have to be revived, we would have to have mutual security.

Of course, remember the League of Nations had proven a tremendous flat failure. So that is the background of this United Nations.

And a very interesting background it was. In the first place, you had Roosevelt, President Roosevelt, trusting very, very greatly the Russians. I think Madam Perkins in her memoirs has a delightful picture. She is talking to the President. She says, "You know, I have recently talked to a man who has returned from Russia and I said what makes these Russians tick?"

"Ah," he said, "it is their ardent desire, of course, to carry out the holy will."

Roosevelt said, "My, my, that is very interesting."

He said, "I have noticed their spirit of sacrifice which seems to make their whole system of communism a working arrangement."

But she said, "Even more, do you realize that Stalin went for a while to a monastery and studied to be a priest?"

"Ah," said Roosevelt, "that explains his idealism."

#### CONFERENCE AT YALTA

Then from there he went to Yalta to get an example of that idealism.

Now, William C. Bullitt had warned him. Bullitt had said, "Remember, Mr. President, these Russians are not to be trusted. I was there, of course, from 1938 to 1936."

"Ah," he said, "You may be right. You sound very logical, but I have a hunch if I give everything to Russia she will respond in a similar spirit."

Bullitt thought that was rather an interesting hunch. The result is that at Yalta you are going to have the basis of the modern political system, we are going to give Russia everything. We are going, of course, to give her control of Manchuria, a naval base at Port Arthur, we are selling out the Far East to her in direct defiance of the promises that Roosevelt made to Chiang Kai-shek at Cairo.

When Roosevelt went back to Washington he addressed Congress on May 1, 1945. He said, to assure Congress, we made no deals at Yalta concerning the Far East, it was entirely a European arrangement.

That was a direct untruth.

The result is that months later we found out that he had sold out the Far East at Yalta, had sold it out.

Now, the result is that, of course, he always bangs himself at Yalta to make the Chinese agree to these tremendous concessions, to agree to their betrayal which, of course, they finally did.

#### ADVENT OF UNITED NATIONS

Then he passes out of the picture and we have President Truman come in, but the stage is set, of course, for the United Nations.

It is a rather interesting stage setting. Here you have Joe Stalin who, of course, was guilty of murdering at least 6 million Kulaks. He had Roosevelt, who had perfect faith in him. You had Miss Perkins selling the idea that Joe Stalin was imbued with some divine purpose.

Here you have the United Nations and we are sold that idea. Remember, also, the setting for the United Nations in the summer of 1945.

#### ZACHARIAS' STORY

Rear Admiral Zacharias tells us how he, of course, is contacted by the Vatican. Archbishop Doyle had contacted the Vatican and the Japanese were on their knees begging for peace, but Joe Stalin did not want them to have peace; he wanted to have them crushed.

So when Zach goes to the Pentagon and sees George Marshall, Mr. Marshall said, "We are not interested in a Vatican-inspired peace."

So there was no peace and Japan was atomized and Russia was elevated in a very important way.

That is Admiral Zacharias' story.

Senator ELLENDER. Do you believe that story?

Mr. TANSILL. Admiral Zacharias, as far as I know, and I have made many inquiries among naval men, they believe it.

Senator ELLENDER. Do you think the Japanese wanted peace and do you think that Roosevelt knew that the Japanese wanted peace?

Mr. TANSILL. I think there is no question about it.

Senator ELLENDER. Where did you get that information?

Mr. TANSILL. Admiral Zacharias was head of naval intelligence and he relayed the information to the Pentagon right along. Nobody that I know has contested it.

Now, the result is that here is the United Nations. We are regarding it, of course, as a very important bulwark of peace.

#### KOREAN SITUATION

Then on June 5, here we have the Korean situation, in 1950. The Korean situation breaks loose.

Of course, we have these North Koreans' power over the 38th parallel. We have President Truman the next day, of course, ordering

General MacArthur to the front and he does a magnificent job within limits, but MacArthur is distinctly circumscribed as to how he can carry on the war.

He wanted, of course, to use his Air Force as MacArthur shows in his testimony very clearly. He could not use his Air Force effectively at all. He could not bomb the five bridges across the Yalu at all.

He said—

Therefore, when these instructions came to me, I was thunderstruck because I realized I could not use my Air Force effectively.

Now, at the same time in November of 1950, the Communist picture, the Chinese Communists, come into the war.

Now, they received certain assurances that, of course, they would be safe in a sanctuary behind the Yalu. Who gave them those assurances?

Well, we had Donald MacLean, head of the American desk in the British Foreign Office. You had Guy Burgess right here.

Many people are sure that the Britishers conveyed the assurances.

Anyway, they came over. MacArthur had a very hard time to meet the situation. He did it magnificently.

Then all of a sudden we had a truce called.

Senator ELLENDER. Will you agree that MacArthur was given carte blanche by President Truman to do whatever he thought was necessary in the latter part of the war?

Mr. TANSILL. I will say he could never bomb across the Yalu and he could never bomb those bridges.

Now, let me say right here, the result is that MacArthur speaks about the situation in very sharp terms. Let us take Mark Clark.

In his fine book "From the Danube to the Yalu," he said: "Yes, I was there. It was a war we were not permitted to win." A very pithy statement I must say.

General Ridgway said the same.

So there is the military picture. So the only war we have lost in the military sense was lost when we conducted it under the leadership strings of the United Nations.

Senator ELLENDER. May I say you can blame General MacArthur for it because General MacArthur was given carte blanche by President Truman when they met on Wake Island and MacArthur assured the President that there would not be Chinese interference.

Notwithstanding that assurance, there was Chinese interference.

Mr. TANSILL. I will say there was because assurances were conveyed to the Chinese Communists that undoubtedly the 7th Fleet would keep Chiang Kai-shek from landing at all on the coast.

Therefore, the Chinese with these assurances moved their whole forces up to Korea and came over.

So here is the United Nations. Here, as a matter of fact, we lost the war fighting within their particular restrictions.

#### UNITED NATIONS ARTICLE 42

Remember here, under the United Nations article 42, it was a fine thing for Russia in the United Nations. Here she had all these ill-gotten gains, but under the United Nations article 42 security was given to all the ill-gotten gains.



There would be no war; war is outlawed; if anybody starts a war to break those Russian chains the United Nations will move in. That is very clear.

#### CONCEPT OF "FORTRESS AMERICA"

Here we move away from that and we come down to the present situation. The idea is "fortress America" is an outmoded concept, a distinctly outmoded concept.

Now, I think, as a matter of fact, it is extremely important for America to build her strength and not depend on alliances abroad where help may come too little or too late.

Now, remember, in this Korean war we had 15 nations besides the United States involved. They put up 33,000 ground troops and 11,000 other service personnel, while we put up 450,000 troops and rotated altogether a million troops in that whole war.

We did the fighting. They did the directing.

Now, the result is with such a flat failure on the record, isn't it very perilous for America to depend upon the United Nations in which Russia is an important member, for our security?

Would it not be a very good thing to build up fortress America so that we could live in security in a world wrapped in the flames of war? America can defend the free world only if America can defend herself.

Thank you.

(The formal statement of Dr. Tansill follows:)

#### STATEMENT OF DR. CHARLES CALLAN TANSILL

Mr. Chairman and members of the committee, my name is Charles Callan Tansill. For the past 43 years I have been a professor of American diplomatic history in five different universities. From 1944 to 1958 I was professor of American diplomatic history in Georgetown University. For 10 years I was attached to the Senate Committee on Foreign Relations as a technical adviser. I am the author of 10 books in the field of international relations and have lectured widely both here and abroad. I am now engaged in the task of writing a biography of Cordell Hull, Secretary of State under President Franklin D. Roosevelt. Today I have the privilege of appearing before this committee as a member of the Citizens Foreign Aid Committee to submit a statement upon the very important topic of—

#### THE FAILURE OF MUTUAL SECURITY

Nowadays the old concept of "fortress America" which could stand alone in comfortable security in a world that was wrapped in the flames of war, is almost completely outmoded. Since 1945 our so-called statesmen have insisted that our national safety can be assured only if we enjoy membership in some international association like NATO or the United Nations. After the close of World War II we began to pour billions of dollars into the treasuries of alleged friendly nations for the purpose of strengthening their economic structure or increasing their military potential. Nearly 70 billions have been sent abroad for these purposes. Americans have been assured that these dollars have bought friendship and have built a shield of protection against foreign attack. But there are many students of international relations who doubt these assurances. They believe that foreign aid has been used merely as a slogan to hide from the public in general the disturbing fact that this costly assistance is an effective means of bankrupting America to bankroll the world. Are the alleged benefits of mutual security worth the staggering price we have long been paying?

Even a cursory glance at the pages of history will reveal the fact that for nearly a thousand years religious leaders, statesmen, emperors, kings, and philosophers have been busy producing plans for world peace based upon the

idea of collective security. The list of these creative minds is a long and impressive one; Pierre Dubois, Emerie Cruce, William Penn, Immanuel Kant, King Henry IV of France, William Ladd, and Jan Smuts. In 1815 the Czar Alexander I, of Russia, was the author of the Holy Alliance which he hoped would preserve the fabric of civilization that had been so badly torn during the long wars of the French Revolution. It happened that the Czar invited the United States to join this league of nations, and the peace societies in this country warmly endorsed this invitation. But the wise counsel of George Washington prevented American Presidents from entering into entangling alliances that would waste American lives and treasure in farflung wars on distant continents.

In Europe, however, the doctrine of the balance of power resulted in a series of alliances that statesmen hoped would preserve the peace. After the close of the Franco-Prussian War in 1871, Europe became an armed camp with many nations engaged in an armaments race that required staggering annual appropriations. These expenditures were justified as a means of peace insurance. As international tensions grew in intensity, the cost of armaments reached greater heights and many nations feared eventual bankruptcy.

After the turn of the 20th century the situation grew more critical. The race for colonial empire grew more spirited, and the forces of nationalism and militarism increased the tempo of this contest. It was a period of expansion and explosion with international tensions reaching such a high pitch that in 1908 and 1911 the outbreak of war seemed just around the corner of some belligerent move. To prepare for such a contingency, the buildup of armaments took on new proportions. This was particularly true of the years from 1912 to 1914. During this brief period, the French standing army increased from 563,500 to 910,000 while the German standing army rose from 626,732 to 870,000. This hectic preparation for war ushered in a climate of opinion that regarded war as inevitable.

But many pacifists comforted themselves with the thought that modern warfare was so destructive that statesmen would avoid armed conflict at any cost. If conflict came it would be a minor affair that would be strictly limited. Clashes of arms would be localized and the territories involved would be small in extent.

This alliance system that was supposed to prevent war and provide mutual security was an elaborate one. The Triple Alliance of 1882 comprised Germany, Austria-Hungary, and Italy. In 1894 France and Russia entered into a military alliance. In 1904 Britain concluded an entente with France which was supplemented 3 years later by an understanding with Russia concerning Persia. In 1902 Britain signed a treaty of alliance with Japan which protected the life lines of British empire in the Far East. The system of alliances was far reaching and impressive, but as a means of peace insurance it was entirely useless.

As far as the United States was concerned, there was no system of alliances that lulled Americans into a false sense of mutual security. Down to the close of the 19th century American statesmen, following the precepts of George Washington, had avoided alliances with foreign powers. But at the beginning of the Spanish-American War a new bond with Britain was forged. It was no formal alliance or even an executive agreement. It was merely a political understanding with overtones of intimacy that might mean everything or nothing. It was so intangible that Anglophobes could not attack it in detail—they suspected much but could not adduce any evidence that would support their apprehensions.

After 1900, this Anglo-American understanding was the outstanding factor in the conduct of American foreign relations. During the Russo-Japanese War, President Roosevelt was ardently pro-Japanese, and British and American loans made it possible for Japan to carry on the war. But American foreign policy had a stability that British statesmen scorned. At the Foreign Office there was a flexibility of policy that rapidly changed to meet empire needs. In 1904, Russia was a possible foe; in 1907 she became a party to a treaty that provided for the partition of Persia and she was an associate with Britain in a dubious Middle East policy. Thanks to the blessing of Britain, Japan and Russia made up their differences in the Far East and embarked upon a program that ran directly counter to the plans of the Department of State. England had no desire to challenge the expansion of Russia in either the Far or in the Middle East. When an able American economist, Morgan Shuster, went to Persia in 1911 to stabilize the finances of that country, Russia at once objected. Chaos in Persia was exactly what she wanted, and, with British help, Mr. Shuster had to return to the United States.

**BEST AVAILABLE COPY**

It was apparent that in the scale of political values worked out by the British Foreign Office, America's needs were usually given a low rating. But bland assurances continued to pour out of No. 10 Downing Street. There was always the possibility that a world war might break out and America would come in very handy as an ally. But most European statesmen still believe that there was little danger of a full-scale war. The vast armaments that had been built-up since 1900 would surely provide an effective form of peace insurance. In the summer of 1914 when hostilities broke out between Serbia and Austria-Hungary, it was ardently hoped that this conflict would be a "little war" that could be localized. When it rapidly developed into a world war, it was suddenly realized that the carefully worked-out system of alliances that had existed since 1882 had not been a preventive of war.

Inasmuch as America was not a member of any political alliance, the average American hoped that the Anglo-American understanding would not lead to eventual intervention in a war that quickly attained world proportions. But political association with Britain since 1808 had accustomed the Department of State to view world politics through British eyes. The language file and the long tradition of a common culture were strong forces that worked for intervention. Moreover, a half million of American investors had bought \$2 billion worth of Allied bonds. They had a very active interest in Allied success. American intervention in the war in 1917 was almost inevitable.

And if this Anglo-American understanding led to American involvement in World War I, was the British Foreign Office duly grateful that American assistance was about to save the Empire? This gratitude was shown in a way that later shocked many Americans. On February 3, 1917, the United States severed diplomatic relations with Germany. War with Germany was now inevitable. The British Foreign Office chose this important moment to enter into a secret treaty with Japan, February 10, 1917, whereby the Nippon Government was to receive the German islands north of the equator at the war's end. Needless to say, the Department of State was not consulted about the terms of a treaty that would place the Japanese in possession of islands that would endanger the whole American position in the Pacific. During World War II these same islands were captured by American military forces at a staggering cost in American lives. I have often wondered if the ghosts of these American heroes ever haunted the midnight hours of Winston Churchill.

American revulsion against the bloody sacrifices of World War I gave strong support to the fight in the Senate against the League of Nations. If a mere understanding with Britain since 1808 had led to American involvement in one World War, what would membership in a League of Nations lead to? Moreover, it was obvious that America had lost World War I. The objectives for which we had fought, as voiced by President Wilson, had been to put an end to all wars and to make the world safe for democracy. We had most certainly not attained those objectives, and from that viewpoint, we had lost the war. In this mood of disillusionment most Americans were glad that we had not entered the League of Nations.

But there were some internationally minded persons who continued to believe that in union there is strength even though some of the members of the union had diverse political ambitions. President Harding had been opposed to the League but he was finally prevailed upon to invite a number of nations to send to Washington representatives who would endeavor to agree upon some formula to limit armaments. It was also hoped that the nine nations having important interests in the Far East could agree upon a set of principles that would point the way to peace in the Orient. This objective was accomplished in the Nine Power Treaty of February 6, 1922, which proclaimed respect for the territorial integrity of China and promised that the signatory powers would "communicate fully and frankly among themselves whenever circumstances seemed to require the application of the treaty."

But collective security as outlined in the Nine Power Treaty was not enough for ardent pacifists who finally secured on August 27, 1928, the signature of the Kellogg-Briand Peace Pact in which a large number of nations formally renounced war as an instrument of national policy. It was not long before optimistic publicists began to talk as though war had really been outlawed.

But there were some prominent Americans who had strong doubts about the Kellogg-Briand Peace Pact. Senator Reed, of Missouri, denounced it as an "international kiss." Other Senators were not deeply concerned about the alleged dangers of osculation. They had pleasant memories of the ancient game of "post office." But Senator Glass, of Virginia, thought that the pact was not

worth an ordinary "postage stamp," and there were some who reluctantly agreed with him. In order to dissipate these doubts and to relieve any real apprehensions among Senators, Secretary Kellogg issued assurances that the American Government, as a signatory to the pact, had assumed no moral obligation "to apply sanctions or to take affirmative military action in any case whatever may happen."

Secretary Stimson, who succeeded Kellogg as Secretary of State, was certain that Kellogg did not realize the implications of the peace pact he had signed. To Stimson's belligerent eye there was a martial meaning in the pacific-appearing phrases of the pact. Kellogg was unaware of the fact that he had buried the old American rule of neutrality in the ambiguous phraseology of two important paragraphs. Stimson was determined to make the most of this ambiguity.

His opportunity came in 1929 when serious friction developed between China and Russia with reference to the administration of the Chinese Eastern Railway. When the dispute grew more heated, Stimson called the attention of both nations to the fact that they were signatories of the Kellogg-Brand Pact. Russia replied that peace was her passion and China made a similar reply. Despite these pacific assurances, large-scale military operations were soon in progress. There had been no declarations of war but the peaceful play on the plains of Manchuria had grown exceedingly rough even for boisterous Red Russians. Stimson thought that the antics of these merry Muscovites had a hint of belligerence, so he wrote to the Soviet Government and called attention to that fact. All that he got for his pains was an impudent note from the Soviet Commissar for Foreign Relations to the effect that the Kellogg Pact did not "give any single state or group of state any rights of enforcement."

But Stimson did not permit this Russian rebuff to cool his ardor for mutual security in accordance with the peace pact. He was so devoted to peace, he was already to fight for it. He did not have long to wait. Japanese statesmen were deeply disturbed by the fact that in 1929 Russia had easily imposed her will upon China. With this lesson in mind, the Japanese Army in north China began to build bastions of defense to protect the frontiers of Japan's sphere of interest. When Russia had moved ahead and absorbed both Sinkiang and Outer Mongolia, Stimson never lost his stoic calm and no votes were sent to Moscow protesting these violations of Chinese sovereignty. But when Japan adopted a policy of building dikes to restrain the Red tide that was flowing over much of north China, Stimson grew hysterical and on January 7, 1932, he sent a sharp note of protest to Tokyo. He was certain that Japanese actions were in violation of both the Nine Power Treaty and the Kellogg-Brand Peace Pact.

Japan assumed the same attitude exhibited by Russia in 1929. America had no authority to invoke the Kellogg Pact. After receiving no support from our close political associate, England, Stimson poured out the vials of his ready wrath in a long letter to Senator Borah, February 23, 1932. On May 5, 1932, thanks to multiple pressure upon Tokyo, Japan and China signed peace terms. Later, when the Assembly of the League of Nations censured Japan for her policy in north China, the Japanese delegation walked out of the Assembly and Japan resigned from the league. The Nine Power Treaty and the Kellogg Pact had dismally failed to alter Japanese policy in China. Collective security had proved for China a mere myth.

There were many Americans, however, who refused to accept this stern reality and they retained their faith in the league as a bulwark of peace. This faith was shattered when Mussolini began to look with inquisitive eyes upon the rich resources of Ethiopia, and in 1935 his armies launched an attack upon the legions of the Emperor Haile Selassie. The league had made feverish efforts to prevent the outbreak of war and had then endeavored to shorten its length by imposing certain economic sanctions upon Italy. The military might of Mussolini soon proved these efforts to be in vain. Ethiopia was incorporated into the expanding Italian Empire, and mutual security, under the terms of the League of Nations, was merely a pious aspiration.

A final illustration of the futility of the league with reference to the preservation of peace was given to the world in September 1939 when a second world war broke out. For months European statesmen had striven to find some formula of peace that would satisfy the demands of Hitler and save the sovereignty of Poland. Their complete lack of success was damning evidence that the league was a mere debating society with no real power to preserve peace.

At the close of World War II, it was realized that it was useless to revive a League of Nations that had failed so dismally to stem the tides of war. But the

age-old dream of collective security was still cherished by some ardent internationalists who were determined to work for a multinational agreement that might bring order to a world in chaos. Some of these men of good will were well-known personalities who had been invincible in peace but invincible in the late war. But suddenly they became very much in evidence and they were certain that a new era was about to be born. Surely a new spirit was alive in the world and President Roosevelt thought he detected evidence of this in the attitude of Stalin. In a conversation with the President, Madam Perkins confided to him that when she asked a friend to explain to her what made the Russians tick, he had replied: "The desire to do the holy will." Roosevelt was deeply impressed with this statement, and he remarked to Madam Perkins: "You know, there may be something in that. It would explain their almost mystical devotion to this idea which they have developed of the Communist society. They all seem to want to do what is good for their society instead of wanting to do for themselves." Madam Perkins also reports that Roosevelt was intrigued with the story of Stalin's early life and his years of study in a seminary preparatory to the priesthood. Two or three times Roosevelt asked her: "Don't you suppose that made some kind of difference in Stalin? Doesn't that explain part of the sympathetic quality in his nature which we all feel?"

With Stalin showing evidence of a warm sympathetic quality toward human life, the time had come to talk once more of mutual security. On March 1, 1945, Roosevelt made a report to Congress on the achievements of the Yalta Conference. After uttering a direct untruth in claiming that this conference dealt only with European problems, he gave an assurance that this international gathering had marked the "end of the system of unilateral action, exclusive alliances, and spheres of influence \* \* \*. We propose to substitute for all of these a universal organization in which all peace-loving nations will finally have a chance to join." This universal organization was outlined in the charter of the United Nations which became effective on October 24, 1945.

In a very short time the American people were provided with a shocking illustration of the inability of this new League of Nations to prevent the outbreak of war or to conduct military operations that would command success. On June 25, 1950, Communist forces from North Korea suddenly crossed the 38th parallel and commenced a war which President Truman called a "police action." The United Nations Security Council immediately adopted a resolution denouncing the invasion as a breach of the peace and calling upon the North Korean forces to withdraw. It also called upon the members of the United Nations to render "every assistance" in the execution of this resolution. On June 28, President Truman ordered General MacArthur, in command of American military forces in the Far East, to attack the Communist invaders. On October 7, the Assembly of the United Nations adopted a resolution recommending that "all appropriate steps be taken to insure conditions of stability throughout Korea." It was also agreed that steps be taken "for the establishment of a unified, independent, and democratic government in the sovereign state of Korea." The execution of this resolution was rendered extremely difficult by the entry of Communist China into the war in the first week of November 1950.

It was apparent to General MacArthur that the Communists would not have dared to enter the conflict if assurances had not been secretly conveyed to them "that even though they entered the fray in large forces, it would be under the sanctuary of being immune from any destructive attack by our military forces within their own areas." This immunity was probably conveyed to Communist China by two British officials, Donald MacLean, head of the American desk in the British Foreign Office, and by Guy Burgess, a British diplomat stationed in the British Embassy in Washington during the early months of the Korean war. In May 1951 both these British officials disappeared behind the Iron Curtain.

These assurances to Communist China were implemented by directives sent to General MacArthur concerning the conduct of military operations in Korea. He was not permitted to attack targets within 5 miles of the Yalu River, which is the boundary between North Korea and Manchuria. When MacArthur protested against this limitation of his use of airpower, the Joint Chiefs of Staff gave him permission to make limited bombing raids but warned him to be extremely careful to avoid violating Manchurian airspace and territory. Such care was imperative "because of the necessity for maintaining the optimum position with regard to the United Nations policies and directives." When MacArthur ordered the bridges across the Yalu River destroyed, his orders were immediately countermanded. The impact of these limitations upon his

use of airpower was sufficient to render it impossible to restrain the flood of Chinese Communist troops moving into Korea from Manchuria. MacArthur later remarked that when his orders were countermanded, he realized for "the first time that I had actually been denied the use of my full military power to safeguard the lives of my soldiers and the safety of my army. It left me with a sense of inexpressible shock."

It was apparent to General MacArthur that the military operations during this Korean "police action" were being conducted in accordance with the desires of the members of the United Nations. But these nations had done little to deserve such consideration. Fifteen U.N. members, besides the United States, had sent military forces to Korea. Their contribution was 33,000 combat ground troops, and 11,000 air, sea, and service personnel. The combat and service personnel sent by the United States to Korea reached a peak strength of 450,000, and more than 1 million American soldiers were rotated through the Korean theater during the war.

But these large contributions of troops and service personnel made by the United States did not insure that the American commander of the armies could fight as he pleased. He was hampered at every turn and the pattern of conflict was shaped by our Allies in such a manner that victory was impossible. As Gen. Mark Clark expressed the matter in his pithy manner: "It was a war we were not permitted to win."

It is a grim fact that the only major war in our long history that American armies were not able to bring to a successful conclusion was one that was fought under the leading strings of the United Nations. Is there any guarantee that in some future conflict the same interference in the conduct of military operations by other members of the United Nations will not be repeated? Is mutual security a formula for mutual destruction?

But the advocates of mutual security discount the tragic lesson of the Korean fiasco, and they loudly extol the defensive potential of NATO. I shall not take time to expose this fallacy. On April 20, Gen. Bonner Fellers, in his testimony before the House Committee on Foreign Affairs, dealt in detail with all the claims of the supporters of NATO. His testimony shows very clearly that the only preventive of war today is not NATO but the impressive striking power of the Strategic Air Command. But even if NATO had a goodly portion of the military strength ascribed to it, would it be wise to place America's destiny in the hands of a group of nations whose military resources are mostly in Europe? Suppose Russia would not strike at Europe but would confine her attacks to the American theater of operations? Would the NATO nations, in the face of possible incineration by Russian bombs and missiles, come to the aid of hard-pressed America? Would the creeping danger of European neutralism prevent any concerted movement to challenge Soviet terrorism? If any aid were forthcoming would it be too little and too late? Has the foreign aid we have poured into distant lands for more than a decade bought the friends we desperately need in time of crisis? Can America at the most menacing crossroads in her entire history rely upon some plan of collective security when every previous plan has been a flat failure? Has the time arrived when we should stop this un-American foreign aid program designed to bankrupt America to bankrupt the world? Shall we, before it is too late, build a "fortress America" that can give us adequate security in a world gone mad? From this point of strength, can we then offer to our fearful friends abroad the assistance they can hope to receive only from an America that is impregnable to any attack from Soviet sources? America can be the salvation of the free world only if America has the strength to save herself.

#### CITIZENS FOREIGN AID COMMITTEE

### STATEMENT OF DEAN CLARENCE MANION, REPRESENTATIVE

#### GENERAL STATEMENT

Chairman HAYDEN. The next witness is Dean Clarence Manion. You may proceed.

Mr. MANION. Mr. Chairman and members of the committee, my name is Clarence Manion. I am a practicing lawyer with offices in South Bend, Ind.

For more than 25 years I was professor of constitutional law at the University of Notre Dame, and from 1941 to 1952, I was dean of the College of Law at Notre Dame.

Presently I am a member of and counsel for the Citizens Foreign Aid Committee.

#### OPPOSITION TO FOREIGN AID APPROPRIATION

I am grateful for this opportunity to appear before you in opposition to the pending appropriation for foreign aid.

This committee, like other committees of the Congress, has heard a great volume of criticism concerning the wastefulness, maladministration, and basic misdirection of the foreign aid program. I have followed this criticism in the previous, as well as the current reports and records of the Congress, and I would subscribe to much, if not to all of it.

However, to avoid redundancy and to conserve the valuable time of this honorable body, I shall attempt to restrict my remarks to three aspects of the foreign aid program, which have been largely ignored by previous witnesses, and concerning which, by training, experience, and recent observation, I may claim some special competence to testify.

As concisely and as briefly as the gravity of the allegations will permit, I will try to support the three following conclusions concerning our foreign aid program.

1. Foreign aid, as it is presently constituted and executed, is not authorized by the Constitution of the United States.

2. The foreign aid program is being maintained by the Congress in defiance of the wishes of the great majority of the people of the United States.

3. The Government of the United States does not have sufficient tax income to support the foreign aid program, consequently our Government has been, and is now, forced to borrow the money that it gives away to foreign governments.

I will proceed to support these three propositions in the order in which they have been stated.

#### FOREIGN AID UNCONSTITUTIONAL

It is basic and elementary law that the Government of the United States has no inherent power to do anything. The existence, the authority of the Federal Government are derived from the Constitution of the United States.

The Constitution is the creature of the people of each of the several States of the Union. In turn, the Congress, the Federal Executive, and Federal courts, are the creatures of the Constitution.

There is no valid power in any branch, division, or officer of the Federal Government that does not rest in some provision of the Constitution of the United States.

As Chief Justice Marshall remarked at the dawn of our constitutional history:

We must never forget that it is a constitution we are expounding.

By its own terms the Constitution of the United States is the supreme law of the land. All U.S. Senators and Representatives have taken a solemn oath to support the Constitution as such.

The President's single sworn duty is to "preserve, protect, and defend the Constitution."

The Constitution begins with the declaration that—

all legislative powers herein granted, shall be vested in a Congress of the United States (U.S. Constitution, art. I, sec. 1).

Thus, Congress has no powers other than those enumerated in the Constitution.

This raises the basic question: Where in the Constitution does Congress find its power to appropriate the American taxpayers' money for the aid of foreign governments?

#### VIEWS OF SENATOR ERVIN

On the floor of the U.S. Senate last July 2, one of your distinguished colleagues, the Honorable Sam Ervin, Jr., who for many years was an associate justice of the North Carolina Supreme Court, addressed himself to that very question. Said Senator Ervin:

I believe that under the Constitution of the United States we have no right to take tax money and spend it for any purpose except that which is calculated to promote the general welfare of the United States. I do not think we are empowered to take tax money and give it to neutrals, merely to advance their economic welfare. I do not believe we should use tax money to pay neutrals to remain neutral, because that does not advance the welfare of the United States as a government.

If the United States were an eleemosynary institution, operating charities instead of operating a government which depends upon tax sources for its finances, then I would say it would be all right for the United States to act as a universal Santa Claus \* \* \*. Our Government is not an eleemosynary institution and the Constitution does not authorize it to act as such.

How far can the Congress go in confiscating the income of the American people and encumbering their remaining capital assets with ever increasing, high interest bearing debt in the name of the general welfare of the United States?

Where is the constitutional authorization for debt reduction for the governments of Austria, Greece, Denmark, France, Netherlands, Norway, and the United Kingdom of Great Britain at the expense of the American taxpayer. (See testimony of Secretary Dillon, hearings on mutual security appropriations for 1960, subcommittee of the House of Representatives Committee on Appropriations, pp. 352 and 353.)

As Chief Justice Marshall said:

We must never forget it is a Constitution we are expounding.

#### CONSTITUTION PROVISION

Congress has no plenary power to tax and spend at its political pleasure. The Constitution says that—

the Congress shall have the power to lay and collect taxes, duties, imports, and excises to pay the debts, and provide for the common defense and general welfare of the United States. (Art. I, sec. 8).

It is the debts of the United States that are to be paid with the American taxpayers' money, not the debts of foreign governments. It is for the common defense and the general welfare of the United States that the congressional power to tax and spend is to be exercised by the Congress.



Thomas Jefferson said that:

They (the Congress) are not to lay taxes and imposts for any purpose they please, but only to pay the debts or to provide for the welfare of the Union. (Vol. III, writings of Thomas Jefferson, 147-9, Liberty edition, 1904.)

What is the general welfare of the Union, as distinguished from some special welfare for some particular part of the country, or for one parcel of its population, has been debated by constitutional lawyers ever since the Constitution was adopted. That question has not yet been determined by any court.

The Supreme Court of the United States has held that neither a State nor an individual taxpayer is entitled to a remedy in the courts against an unconstitutional appropriation of the Federal funds by the Congress. (*Massachusetts and Frothingham v. Mellon*, 262 U.S. 447, 1923.)

The purpose of the congressional appropriation that was challenged in these cases was the reduction of infant mortality in the United States, not the reduction of Government debts for Netherlands or Norway.

The court bypassed the contention that infant mortality was unrelated to the general welfare of the Union by declining to take jurisdiction of the case. The decision of those cases left the taxpayers powerless to invoke the protection of the general welfare clause in the courts of the country, but the protecting language of the Constitution is still there, nevertheless, and every Congressman and Senator takes a solemn oath to respect it.

The obligation of that oath is all the more serious in view of the fact that there is now no legal appeal from the decision of the Congress on the question of expenditure for "special" rather than "general" welfare, or from congressional determinations to spend the taxpayers' money for world welfare rather than the prescribed welfare of the United States itself.

#### "INFORMATIONAL FORCE OUT" PROVISION

At his press conference on Wednesday, July 29, the President challenged the so-called "informational force out" provision of the pending foreign aid appropriation bill as an unconstitutional invasion of his Executive powers by the Congress.

I am glad that the question of constitutionality has at last been raised by the President concerning the expensive matter of foreign aid.

I would like to point out, however, that the Constitution was not created for the purpose, merely, of protecting the authority of one branch of the Government against invasion by other branches.

The Constitution was designed to prevent every branch and all branches of the Government from invading and violating the God-given liberty and hard-earned property of the people of the United States.

Whether Congress has impinged upon the authority of the Executive is a matter of secondary importance, constitutionally speaking, in a bill that misappropriates the property of American citizens for foreign aid, and in some instances, for palpably un-American purposes and projects.

Once more, I urge you to remember that "It is a Constitution we are expounding."

## FOREIGN AID OPPOSED BY MAJORITY OF PEOPLE OF UNITED STATES

The fact that foreign aid is unpopular has been admitted time and again by the distinguished chairman of the Senate Foreign Relations Committee, Senator Fulbright, who apparently believes that the wishes of the American people should be ignored when they clash with the professional opinions of State Department experts.

On the floor of the Senate last July 8, Senator Fulbright said:

Mr. President, I do not wish to be misunderstood. The members of the Appropriations Committee are honorable men and fine citizens. The point I have in mind, which dominates this situation, is that given the kind of country we have, with 435 constituencies, many of which are remote from world affairs, it is natural—even inevitable—that the representatives of these constituencies should give priority to the immediate local interests of those who have shown their appreciation of their services by voting for them. This is especially true of those who find political life agreeable and wish to remain in it.

At that point in the debate, the Senator was contending for single shot, long-range foreign aid spending. He was afraid of exposing this global grand design periodically to such people as "the voters of the Fifth District of Nebraska, or the Third District of North Dakota" (Congressional Record, July 8, Senate, p. 11811).

On another occasion, Senator Fulbright said:

I realize that the foreign aid program is an unpopular program; it does not have local appeal \* \* \* many persons have misunderstood it. They consider that it is not in the interest of the United States \* \* \*.

I recognize it is unpopular; it does not represent votes in Arkansas, or anywhere else (Congressional Record, Senate, July 1, p. 11838).

And, finally, said Senator Fulbright:

Of all the bills which come before the Congress, this one is the most difficult to explain in such a way that the results may be understood by the people whose taxes support it.

For this taxpayer's money, the Senator can say that again.

## CHICAGO TRIBUNE EDITORIAL

The July 6 Chicago Tribune reported it this way (editorial):

During the Senate debate, Senator Fulbright was driven to confess that the taxpayers are sick and tired of the whole foreign aid racket. He admitted that the giveaway is unpopular, but took the position that the Senate "knows best." Members of the Foreign Relations Committee over which he presides, said Fulbright, were "discounting or ignoring the risk of offending that formidable body of opinion which opposes spending, particularly abroad." (End of Chicago Tribune quote.)

There is not the slightest doubt in my mind about the fact that the "formidable body of opinion" which opposes foreign aid spending is the overwhelming majority opinion of the people of the United States.

For the past 5 years I have conducted a weekly radio forum over a nationwide network that reaches into every corner of the country. As a result of these broadcasts, I have received tens of thousands of letters from listeners dealing with all important matters that come before the Congress of the United States.

Many of these correspondents disagree sharply with the views expressed by some of our speakers. I have discovered that there are two large, articulate sides to practically every important public question, except foreign aid.

Out of all the thousands of letters that I have received, less than a dozen speak favorably of foreign aid and two or three of these were written by officials of the State Department.

This 5-year experience has convinced me that if either of the political parties took a forthright antiforeign aid stand in the 1960 elections and nominated a candidate who would stress that point of view, that party and that candidate would sweep the country.

I am likewise convinced that the devotees of foreign aid know this as well as I do, and that is precisely why they will never give the American people an opportunity to express themselves on this issue at the ballot box.

Since Senator Fulbright has sensed this widespread unpopularity of foreign aid and dared to admit it on the floor of the Senate, I am at a loss to explain the continuing support given to this measure by scores of Senators and Congressmen who obviously do not share the bright-eyed internationalist idealism that propels Senator Fulbright in this and other matters.

Senator ELLENDER. And that includes Senator Fulbright?

Mr. MANION. That is right, Senator Ellender.

#### WE CANNOT AFFORD FOREIGN AID

Every dollar of the pending foreign aid appropriation will have to be borrowed at the highest rates of interest ever paid by the U.S. Government. The House of Representatives deliberately rejected a proposal to amend the bill by making it illegal to use borrowed money for foreign aid.

The realistic Congressmen apparently decided that borrowed money is all we now have left to spend for foreign aid.

This bill is a proposal to borrow money in order to give it away for an unconstitutional purpose that is opposed by a great majority of the people of the United States.

This time-honored travesty is about to be repeated in the midst of a nationwide antispending, anti-inflation campaign that has literally flooded Congress with protests against Federal extravagance.

Responding to this campaign, Congress has cut domestic appropriations and the President has vetoed some of them because they were not cut deeply enough. Our national highway program is stymied for lack of money.

If the Government is too poor to build highways in the United States without levying additional taxes, then why is the Congress about to authorize the construction of highways in the four corners of the earth for other people? That I cannot understand.

#### DETERIORATION OF FISCAL SYSTEM

Last June 21, the distinguished chairman of the Senate Finance Committee, the Honorable Harry F. Byrd, told the Manion Forum nationwide radio audience that in the past 18 months—

our fiscal situation has deteriorated faster than in any comparable peacetime period. The Federal Government is now paying its bills by increasing debt and inflation.

For the purpose of the Soviet Russians, Senator Byrd said: "the fiscal and economic suicide" of this country is far more desirable than

a military attack upon us. This, the fiscal and economic suicide of the United States, is consequently the "prime objective" of our Communist enemies.

May I ask this distinguished committee how our Federal Government—that cannot afford to wipe out so-called "temporary" excise taxes on telephone bills, passenger transportation, and other essentials, taxes that were put on years ago to pay for the Korean war, how can a government as poor as that afford to subsidize foreign industries to compete in the American market for American products and American jobs? Why must you raise our Federal debt limit to the highest point in history, a debt on which the American taxpayer now pays the highest interest in history, when we can afford to give foreign governments millions of American dollars to reduce their government indebtedness?

Financial service publications now declare that big bond buyers are no longer interested in U.S. Government securities that are more than 1 year away from maturity.

Does this mean that we are just 1 year away from the repudiation of our Federal debt by inflation, or otherwise?

If these portents are reliable, then it might be advisable to turn our foreign aid pipelines around and use the unexpended billions for the reduction of our own debt and for the stiffening of our own rapidly softening currency.

I wish to thank you again for this opportunity to express these opinions on behalf of our Citizens Foreign Aid Committee.

Chairman HAYDEN. Thank you, sir.

The next witness is General Albert Wedemeyer.

#### CITIZENS FOREIGN AID COMMITTEE

### STATEMENT OF GEN. ALBERT WEDEMEYER, MEMBER

#### GENERAL STATEMENT

General WEDEMEYER. Mr. Chairman and members of the committee, my name is Albert C. Wedemeyer. I am a retired officer of the Army and for the past 8 years have been engaged in industry, in the business world.

I am a member of the Citizens Foreign Aid Committee, proud of my membership in that group of patriotic, dedicated Americans.

I am in accord with their opposition to what I term to be almost indiscriminate nonselective foreign aid, both military and economic.

I have not prepared a written statement, deeming it better, on my part at least, to express a few ideas, establish premise, and in the hope that members of the committee might ask questions.

There is one premise upon which I base my personal opposition to the American aid program ever since its inception, and, gentlemen, I have given this very careful consideration and study while I was in the Government service and subsequent thereto.

All my life I have taken more than ordinary interest in history and much of my study and analyses confirms what a preceding witness stated here concerning the development of our foreign policy and the growth of a position in the international arena which today jeopardizes our freedoms and our security.

## PHILOSOPHY OF MILITARY AND ECONOMIC AID PROGRAMS

It is my conviction that the entire philosophy behind our Nation's military and economic aid programs is unsound and is not in keeping with the best American tradition.

I believe that assistance, whether given to an individual or to a nation, should be done in such manner as to insure that the recipient maintains his self-respect, as well as his respect for the donor.

In order to accomplish this, aid programs should be governed by realism.

In other words, aid programs should include the extension of opportunities to the recipients to improve their lot by their own effort, their own ingenuity.

Also, recipient nations should understand that naturally we expect reciprocal assistance, not material, necessarily, not material reciprocity, but definitely, gentlemen, within those intangibles of loyalty, gratitude, and dedication to the ideas and ideals that are compatible with our own American ideas and ideals.

Now, gentlemen, many times I have read in the press that the members of the Citizens Foreign Aid Committee are isolationists. After serving my country for 32 years it is my conviction that no intelligent person could be an isolationist.

Every crossroads, every village, every city in our country is vulnerable today to military action on the part of potential enemies. We must have friends. But again, those friends cannot be purchased; they must be acquired through respect, mutual respect, and through the realistic accomplishment of mutual interest.

## ALLOCATION OF AMERICAN RESOURCES TO WARTIME ALLIES

In other words, their security, their economic well-being, was accomplished through treaties and mutual effort. During my service I was called upon to make recommendations to the Chief of Staff, then General Marshall, concerning the allocation of American resources to our wartime allies, including the Soviet Union, of course.

Now, gentlemen, our production was very limited at first, when we first entered the war, and we could not give each recipient nation all that it wanted, so we had to allocate this according to the usefulness of the equipment in the war effort.

Again and again I made the effort to determine where the Soviet Union would use the weapons, the rifles, or the tanks, and so forth, against the common enemy, and they arrogantly refused again and again to give me such information.

Yet we continued to give them thousands and thousands of tons of equipment that might have been used more effectively against the enemy in some other theater of operations.

The aid program, as it is now envisaged, gives aid to countries in my judgement, in my military judgment, that are not too important to the military security of our own country.

## AID TO KOREA

I accept at once that aid to the Koreans was important. Right across their border there was an aggressive enemy and we enabled the South Koreans to establish a status quo at least and prevent the

further expansion of communism in the Far East, particularly in that area.

Now, if similar aid had been given to the mainland Chinese back in 1947 and 1949, before the debacle there, it is my judgment that China, that is mainland China, would be free today and in the orbit of the Western Powers instead of in the Soviet.

But it appears to me that the program that we are now supporting or asked to support gives almost indiscriminate aid to all countries almost regardless of the contribution made to our economic welfare and our military security.

I repeat, the basis for any aid, military or economic, should be on a realistic basis, one that will enable the people who receive our aid to retain their self-respect and also continue to respect us.

Gentlemen, I shall be glad to try to answer any questions in the time that I am allotted here.

I appreciate the opportunity of making these few remarks to you expressing my military judgment that the entire military aid and economic aid programs, all of them, should be reviewed in the manner that I have so recommended.

Thank you.

#### MILITARY STRENGTH IN SOUTHEAST ASIA

Chairman HAYDEN. What is your opinion about the importance of developing military strength in southeast Asia?

General WEDEMAYER. I think it is important, Mr. Chairman, for this reason:

If the Communists continue to expand in that area the other countries in southeast Asia will observe perhaps our reluctance to go in and take a firm stand there and they, too, will begin to gradually weaken and fall into the orbit of the Soviet Union.

It is my judgment, sir, that the late Foster Dulles was pursuing a program in the best interest of our own country which I always place first and in the best interest of freedom loving countries of this world, a policy, sir, of firmness.

#### MARSHALL PLAN

Senator ELLENDER. General, as I recall, you didn't expressly oppose the so-called Marshall plan, did you?

General WEDEMAYER. No, sir; Senator Ellender, I tried to emphasize that I am not an isolationist. I believe it is important that we cooperate with other countries in the attainment of common objectives.

I think it did a world of good.

Senator ELLENDER. You felt it was almost incumbent on us to rehabilitate war-torn Western Europe?

General WEDEMAYER. Yes, sir; I certainly do.

#### EXTENT OF COOPERATION FROM WESTERN EUROPE

Senator ELLENDER. Now, are you not dissatisfied with the cooperation that we are getting from the people in Western Europe, particularly those who are now able to help and who do not to the extent they should?

General WEDEMAYER. Yes, sir.

Senator, these people are human beings like ourselves and the reason they do not cooperate with us is because we have not given them the aid on the premise, "Now, gentlemen, you must do your proportionate share in this problem."

Senator ELLENDER. You mean we have been too soft with them?

General WEDEMAYER. Yes, sir.

Senator ELLENDER. And we are permitting them to lean on our shoulders too much?

General WEDEMAYER. Yes, sir.

Senator ELLENDER. And as long as we pursue that course, they will keep leaning on our shoulders?

General WEDEMAYER. Yes, sir. Just like an individual would, Senator. Outright charity undermines the moral fiber of an individual and it will do the same for nations.

Senator ELLENDER. That has been my reason for opposing foreign aid for the past 4 or 5 years. I thought it was incumbent upon us to assist our friends, but when they reached the point where they had been revitalized, that they should in turn assist us with the development of the underdeveloped nations of the world.

General WEDEMAYER. Yes, sir; it ought to be cut off.

#### AID TO CHINA

Senator ELLENDER. You made a statement here about aid to China. I am in a little disagreement with respect to that.

General WEDEMAYER. I welcome disagreement, sir.

Senator ELLENDER. I was there in 1946 and I felt at the time that a good deal of the aid that we were making available to Chiang Kai-shek was not used for the purpose intended.

General WEDEMAYER. You could not make that statement to anyone better qualified to comment on it in an American way, sir, than to me.

I was on the ground there for 2 years.

Senator ALLOTT. May I inquire what 2 years those were?

General WEDEMAYER. 1944 to 1946.

Senator ELLENDER. I was there in 1946.

General WEDEMAYER. I remember, sir.

Senator ELLENDER. It was my view then, and I heard it from various sources, that a good deal of the money we spent there and a good deal of the equipment we sent there, was made available to the provincial leaders and they in turn traded it off to the Communists.

General WEDEMAYER. Sir, I just told you, I really can comment on it in an honest way. I owe the Chinese nothing, you know that, and I am going to give you the result of my own experience and observations in the China theater.

I tried to do that to my Government always while I was there and again in 1947 when President Truman sent me over there with the rank of Ambassador to make an objective survey of the situation, I gave him my best effort.

Unfortunately it was not welcomed by some of those people who are making the very kind of statement you refer to, namely, that the provincial governors were exploiting us, and so forth, those people objected to my report and it was pigeonholed.

Senator ELLENDER. That was true, was it not?

General WEDEMAYER. No, sir; it was not. Everything is a matter of degree, sir.

Senator ELLENDER. About the provincial leaders——

General WEDEMAYER. May I finish, sir. I do not mean to be rude.

Senator ELLENDER. All right.

General WEDEMAYER. When I was over there a trickle of supplies was coming over the hump. We were cut off from the rest of the world except by airline coming over from Burma.

You knew that, sir.

Now, the tonnage that came into the China theater was practically nil compared to the millions of tons that were sent to the Soviet Union. We carried on in China and we did the best we could.

The supplies that came over went out to Chinese units fighting the Japanese. I put with each Chinese division, Senator Ellender, a group of Americans to insure that the equipment allocated to each division was used for the purpose intended by the American taxpayers, namely, against the Japanese.

I can assure you that possibly in a small way some of that ammunition and some of those weapons may have been misappropriated, but it was not anything to worry about; the bulk of it was used against the common enemy, the Japanese, and I had fine American boys in each Chinese division supervising to insure that that equipment was so used.

#### SALES OF GAS IN EUROPEAN BLACK MARKET

Over in the European theater some of the French and some of our own American boys cut the gasoline pipelines to our airfields and sold gas in the black market, but that was done on a small scale, it did not affect the war effort.

My point is, Senator, so frequently these acts where people steal weapons and so forth, in the China theater, were grossly exaggerated by a press that was already contaminated with the idea of the Communists and so forth.

I had a lot of people over there who were quite pinko and they reflected the attitude of the Communist element in China, not the American element, not my group.

I tried to straighten this out.

#### GENERAL MACARTHUR'S POSITION IN KOREA

Senator ELLENDER. I wish we had time to go into more detail on this. A while ago Professor Tansill made a statement about General MacArthur's position in Korea which I did not agree with and I do not agree with it now. It was my impression that when General MacArthur and President Truman met on Wake Island that he was given carte blanche and he assured President Truman there would be no interference from the Chinese, but he was mistaken.

General WEDEMAYER. Could I comment on that?

Senator ELLENDER. Yes.

General WEDEMAYER. First, I have read practically everything that Dr. Tansill has written and I sit here, just an ordinary American, to tell you that in my knowledge and experience he has written an excellent group of books, factual, and I think very constructive.

He can make mistakes, he is a human being, but in this instance I don't think either one of you is wrong.



I think what you stated, Senator Ellender, is correct, that that carte blanche authority was given and I think MacArthur did not at that time have assurances that the Chinese were coming in.

It is awfully hard to get definitive information about an enemy in China. They are pretty volatile and mercurial.

Senator ELLENDER. If he had had that knowledge, he certainly would not have spread the few soldiers he had over such a long line of 250 miles to make them vulnerable to the incoming Chinese. That is my point.

General WEDEMAYER. I think that is a good point.

Senator, General MacArthur is one of our great men, but he makes mistakes, too. We all do.

Senator ELLENDER. The point is, I am not trying to condemn him; I am saying General MacArthur erred in his judgment, that is what I am saying.

General WEDEMAYER. Well, I have done that.

Senator ELLENDER. Certainly, everybody has. Those who do not and are not subject to criticism usually end up doing nothing.

General WEDEMAYER. I hope in this case that we don't err in our judgment in dispensing economic and military aid. I believe in it, but I do not think under the present regime the present philosophy that it is bringing military security to our country, and that is the country I am primarily interested in, and furthermore, it is going to wreck our economy, as Dean Manion pointed out so ably, if we continue the present outpouring of our wealth.

Senator ELLENDER. I am in thorough agreement with you, I have been opposing this for the past 5 or 6 years.

We have been able to chip away a few hundred million dollars, but that is not enough. These people will keep on leaning on us if we permit them to do so.

Chairman HAYDEN. Senator Young.

Senator YOUNG. I would like to ask a question concerning the period you spent in China.

General WEDEMAYER. Yes, sir.

#### OFFICIALS FRIENDLY TOWARD CHINESE COMMUNISTS

Senator YOUNG. Did you not have some people representing our Government, State Department and others, at that time who were more friendly toward the Communist Chinese than they were toward Chiang Kai-shek?

General WEDEMAYER. Yes, sir; we did.

Senator YOUNG. That was my belief.

In such a way that they sold Chiang and China down the river? I think it is one of the great tragedies of our time. Here is a country which should be on our side. They think much the same as we do. They are hard working people.

#### CHINESE PHILOSOPHY OF GOVERNMENT

General WEDEMAYER. I think the bulk of the Chinese do. They don't understand democracy and communism. They want to be let alone. They want good food and shelter. That is all they want.

Over there in a lot of cases some of these people weren't Communists, some of these correspondents, some of the people in our service, but they would see the corruption on the part of the Nationalist Government.

That would make them oppose them and that would put them in the camp of the opponents, the Chinese Communists.

Senator YOUNG. We were partners of Communist Russia at the time?

General WEDEMEYER. They were opposed to Russia, they are now, and we ought to stand by them until we get this Communist problem settled.

Senator YOUNG. I always thought we carried that partnership too far. I want to say that I have followed your career a long, long while, and have always admired the stand you have taken on practically every issue.

General WEDEMEYER. Thank you, sir.

#### DOLLAR BALANCES HELD BY FOREIGN GOVERNMENTS

Senator DWORSHAK. General, when you referred to the capabilities of some of the countries of the free world to assume a larger share of the financial burden of our joint military efforts, I should like to call attention to the fact that at the end of the war the dollar balances held by foreign governments and central banks was about \$4 billion.

Today it is more than \$8½ billion, which indicates that the economic and financial condition of these countries has greatly improved.

Yet there seems to be no inclination on their part to assume a greater share in aiding us to handle the financial burdens.

General WEDEMEYER. Senator, you are absolutely right. Right after the war, my job in the Department required me to study the economy and the military strength and so forth, even the political strength, of all these countries, neutrals, potential enemies, and so forth.

You are absolutely right. But it is your fault and my fault. It is not those countries' fault. It is time we take a stand against them and become realistic.

They will respect us for it.

Senator DWORSHAK. We are really dupes——

General WEDEMEYER. We are dupes; yes, sir.

Senator DWORSHAK. In channeling American dollars everywhere in the world and in return acquiring billions of dollars of soft foreign currencies, the net result of which will be to diminish our capabilities to lead the free nations of the world.

General WEDEMEYER. Senator, I am in complete accord with you, sir.

#### BRITISH INFLUENCE ON POLICY

Let me tell you during the war I used to have my younger officers come to me and say, "Look at the influence the British are exercising on our policy. They get around at the cocktail parties and butter up and flatter our leaders. They are influencing our policies so that it will favor the British Empire, perpetuate the British Empire."

They get so mad at the Britishers. I said, "Don't get mad at the Britishers, get mad at the American leaders who are doing this."

Senator DWORSHAK. That has been my belief during the past decade. We should not censure the foreign countries. They are merely following natural inclinations because those who represent us in these negotiations have invariably given them the benefits and have ignored the rights of our own people in our own Government.

General WEDEMAYER. Senator, I think, as Dean Munion just expressed it so well, if one of you gentlemen up here, any of you gentlemen up here, were to come out and take that position, just take a forthright position and stand——

Senator DWORSHAK. The members of this committee have been doing that for years, pleading and wheedling and coercing and doing everything to jolt our Government into a realistic program.

General WEDEMAYER. I supported Senator Robert Taft for the candidacy for President. I don't know much about politics, but I know a fine man when I see one. I am looking for such a man right now. I don't see any of them in the newspapers. I would not take one of the candidates mentioned so far because I want a forthright statement such as you just made.

Senator DWORSHAK. For 10 years many members of this committee and I have been carrying on efforts under a Democratic President and under a Republican President to do something that will avert financial disaster for our own country and in that regard destroy the security of the nations of the free world.

General WEDEMAYER. Yes, sir.

Senator ALLOTT. General, I am Senator Allott from Colorado.

#### DEMANDS AGAINST CHIANG KAI-SHEK

Going back to 1946, 1947, and 1948, we were told in this country through the newspapers and other mediums not only of the extreme waste and complete breakdown of Chiang Kai-shek, but also that Chiang Kai-shek was losing the war with the Communists in China.

Is it not a fact that in every demand that the Communists made for a unified government, which seemed to be the policy of this Government at that time, to try to work out a settlement between the Communists and the nationalist government, is it not a fact that a part of every Communist demand there was that, first, Chiang Kai-shek surrender back to the Communists the land which he had taken from them in his war against them?

General WEDEMAYER. Yes, it is.

Senator ALLOTT. I refer specifically to the yearbook of the Encyclopedia Britannica for 1947, 1948, and 1949.

So that the bill of goods that we were sold that he was losing the war with the Communists was, in fact, a false one; is that right?

General WEDEMAYER. In my judgment it is; yes, sir.

Senator ALLOTT. That is all.

Thank you very much, Mr. Chairman.

Chairman HAYDEN. We thank you for your appearance, General.

General WEDEMAYER. Thank you, sir.

Chairman HAYDEN. The next witness is Mr. Walter Harnischfeger, chairman of the Citizens Foreign Aid Committee.

You may proceed, Mr. Harnischfeger.

## CITIZENS FOREIGN AID COMMITTEE

## STATEMENT OF WALTER HARNISCHFEGER, CHAIRMAN

## GENERAL STATEMENT

Mr. HARNISCHFEGER. Mr. Chairman and members of the committee, I thank you for this privilege of appearing before you to state my views on foreign aid.

My name is Walter Harnischfeger. I am chairman of the board of Harnischfeger Corp., of Milwaukee.

I appear before you as a citizen concerned for the general welfare and security of the United States. I speak also as national chairman of the Citizens Foreign Aid Committee.

In appearing before the Senate Appropriations Committee on the foreign aid bill, I will draw from my personal experience in foreign operations and travel and from the information on the subject which has been developed by our committee.

## TESTIMONY BEFORE FOREIGN RELATIONS COMMITTEES

We have appeared twice before the Senate Foreign Relations Committee and before two committees of the House.

I should like to make the testimony of these previous hearings, known as the spotlight on our foreign-aid program, a part of the record.

Chairman HAYDEN. May I say, sir, that there is a provision of law relating to the reprinting of material that has already been printed at Government expense. We shall be very glad to make this a matter of record for the information of the committee, but we cannot reprint previous hearings in this hearing.

The same is true of matters which appear in the Congressional Record.

Mr. HARNISCHFEGER. I thank you.

The Citizens Foreign Aid Committee was organized in the early part of this year to make a realistic evaluation of foreign aid. Our study has disclosed wasteful foreign spending on a global scale.

It has disclosed an even more alarming situation. Our foreign economic assistance and military aid are impairing our own economy and endangering the defense of America, the last bastion of the free world.

As in the 1940 triumph of the Nazi panzers, Europe was not lost so long as England remained.

Likewise, many countries may fall to communism, but they are not lost permanently so long as the United States survives.

And so it is that a concern for the defense and preservation of the United States is not isolationism, but internationalism of the first order.

## MEMBERSHIP OF CITIZENS FOREIGN AID COMMITTEE

The Citizens Foreign Aid Committee is composed of 37 outstanding Americans. Each is distinguished in his field. The majority have either at one time or another been public servants, as officials or officers of the Government, and have traveled extensively throughout the world. They are successful practical men whose interests are world-wide, their interests are not provincial.

## THE FLIGHT OF GOLD

Let me speak first of the inflationary effects of foreign aid. The total foreign aid bill for 1958, including the cost of garrisoning Europe, the provisions of Public Law 480, and the dollars made available abroad through the World Bank, the International Monetary Fund, the Export-Import Bank, and other agencies, was nearly \$8½ billion.

This consists of \$5.081 billion net foreign grants and credits as reported by the Department of Commerce, Office of Business Economics, and \$3.365 billion military expenditures abroad, as reported by the same agency in its balance of payments studies.

Thus, the bill before you, which we ask you to cut by \$2 billion from the \$3.9 billion requested by the administration, represents only a portion of the seemingly endless burden of Atlas which we have now assumed.

How significant is this \$8½ billion which we spent abroad last year to the support of some 70 so-called allies and friends? We exported merchandise last year totaling \$16,207 billion.

It is obvious, therefore, that half of what we ship abroad is giveaway or goes to pay for giveaways.

But these exports were also needed to support the legitimate private expenditures of American business, of travel abroad, and the \$12.944 billion of goods we imported.

To balance accounts, therefore, foreigners took down, according to Department of Commerce studies, \$3½ billion in gold and liquid dollar balances. It is estimated that the loss of gold in the year ahead will be even greater.

This process of drawing down foreign aid dollars in gold or using them to accumulate investments in this country, bank balances and stock market securities, has been going on now for 10 years, or since the beginning of the Marshall plan.

## DEPLETION OF GOLD RESERVE

In the past 10 years, over \$5 billion of the gold supply has been drawn down, or 20 percent of the total, and the gold reserves are today less than they were at the beginning of World War II.

Meantime, the volume of business and industrial activity has doubled, with the consequence that the gold stock, in relation to money and deposits, is back at the levels of 1938 and 1929.

It is no wonder that an increasing number of the concerned citizenry are worrying about inflation, the flight of capital, the rising interest rates, the constriction of credit, the steadily rising costs of commodities, and services, and, more than all, the increasing sense of uncertainty and unsettlement.

## THREAT OF INFLATION

Gentlemen, inflation is the greatest threat to America today. This is the word I bring you from much traveling up and down the country, from doing extensive business throughout the world, from personal experience in two devastating postwar inflations.

Inflation is like the first effect of strong drink. You breathe deeply, you feel superb, everything is fine, then you wake up in the morning and find your head is bursting and you've collapsed inside.

With inflation, business, everything, initially is booming, everybody is elated, prices going up, wages going up, everybody making profits, then suddenly stagnation, collapse, misery, hunger, breadlines, shops closed factories idle, while prices continue to rise and rise, and the housewife standing in the butcher shop finds the prices changing faster than she can move to the counter.

That's the morning after of the inflation boom. It is followed by political chaos, dictatorship, and concentration camps, and so forth.

Today our total gold stock of less than \$20 billion, around \$18½ billion is subject to call by foreigners. Americans cannot convert their bank balances into gold, but foreign governments can effectively convert these \$18½ billion credits into gold.

Of course, no American Government official will admit that the foreigners who hold dollar credits will call our gold. Our officials say, if foreigners are afraid of the dollar, why are they continuing to build up their dollar balances?

Anyone who recalls the 1929 panic knows that it doesn't take much to tip the scales of public confidence, and start a run on the bank.

#### BURDEN ON AMERICAN DOLLAR

The point I would make is this: The U.S. dollar today supports not only the whole American economy, now running at twice the 1939 rate with less than the 1939 backing in gold, but the U.S. dollar supports half the world's trade; it is also half the backing of the free world currencies.

This is too heavy a burden to put on our diminishing stock of gold.

The only solution to the problem is a balanced budget and a sound national fiscal policy. And the beginning of a sound fiscal policy is to stop the wasteful, extravagant, and useless spending for foreign aid.

Along with a reduction of foreign-aid spending, it will be easier to reduce the pork barrel demands upon Congress at home. More than one Congressman has asked me how Congress can resist the demands for extravagant public works and welfare expenditures at home when we are wasting equivalent billions abroad.

#### OUR UNSOUND MILITARY POSITION

Our defense dollar represents 60 percent of our total budget and is closely tied to our foreign-aid expenditures. Members of our committee who have had top assignments in military affairs and possess practical experience in global defense planning, have testified that our entire defense program should be reevaluated.

Russia, our self-announced enemy, has an air force stronger numerically than ours. She is believed to be ahead of us in missile development and in research which has military application.

It is also known that the Soviets are now arming at a faster rate than we are.

Thus, foreign aid is diverting funds for useless purposes which are desperately needed for our own defense.

Our committee believes that our Strategic Air Command, SAC, is the true keeper of the peace.

May I repeat, today the United States alone is providing the free world with the greatest known war deterrent, SAC, and so long as SAC is superior to the Red strategic striking force, our deterrent is likely to remain effective. But SAC bombers are wearing out and our missile program lags.

#### CREATION OF OVERWHELMING AIRSPACE-NUCLEAR SUPREMACY

We believe, therefore, that it is imperative for the United States immediately to create and maintain overwhelming airspace-nuclear supremacy.

It is the contention of our committee that a considerable savings can be effected by bringing home a substantial number of our troops which are garrisoned in foreign countries and reducing hardware handouts to doubtful allies.

We believe that a few key industries and all our intercontinental bombers, together with their essential personnel, should be provided with bunker protection against nuclear attack.

We believe that providing this protection is a far better investment than our present foreign-aid program of wastefully scattering funds throughout the world.

We believe that it is unrealistic to assume that it will be possible to coordinate the military effort of 40 to 60 allies on short notice in an atomic war. We believe that the dispersal of our airpower and decentralization of control among a score of nations is suicidal. It is like abolishing the headquarters and general staff of an army, and allowing each division to prosecute the defense or attack as its individual commander sees fit.

In case of emergency what assurance have we that they won't be neutral or wind up on the other side?

We believe that reluctant allies are worse than no allies: that people who are unwilling or reluctant to meet the cost of their own military establishments are questionable allies.

#### EXPERIENCE IN KOREA

We have in support of this view the experience in Korea, where we furnished 90 percent of the United Nations manpower, but we shared the vital decisionmaking authority among a score of allies and spent blood and threw away victory because of the timidity or indecision or indifference of a handful of allies who exercised a veto power upon the activities of the unified commander.

In time of crisis and atom war, it is hardly feasible to have a debating society decide on the course of military action. For these and many other reasons that could be brought forth if time permitted, our committee is convinced that we must be prepared to hold our own without assistance from others, and that the allies we can count upon, if any, are those who are willing to assume responsibilities in proportion to our own and to their own defense capacities.

#### ADVERSE ECONOMIC IMPACT OF FOREIGN AID

With regard to the economic effects of foreign aid, we recommend a realistic reappraisal of the entire mutual security program.

We have spent some \$80 billion in foreign aid to date, and the total foreign aid funds which would be available if recommendations and requests were granted are:

As of January 1, 1959, \$6.6 billion in pipeline; \$3.9 billion ICA funds requested by the administration; \$400 million additional requested by the Draper Committee; \$450 million as a downpayment for the Inter-American Bank—our committee has testified on the weakness of this structure; \$1.2 billion to the International Monetary Fund; \$3.2 billion additional subscription to the World Bank loaning fund; \$7.5 billion which was the recommendation of certain Members of Congress for additional Development Loan Fund program to be appropriated over 5 years.

This fantastic total amounts to \$23.2 billion, which is some \$10 billion greater than the funds appropriated for the Marshall plan, which were voted at the time of the greatest postwar crisis.

Of course, not all of this \$23.2 billion will be appropriated. Nevertheless, indications are that unless the Senate Appropriations Committee steps in with a deep cut, it would appear that some two-thirds of this total, or \$15 billion, will be made available for foreign aid.

On top of all this, our oversea forces spend \$3.3 billion annually. The entire 4-year Marshall plan cost \$13 billion and was enacted immediately after World War II at the time Europe was prostrate and in the greatest international crisis.

No wonder foreign governments are building up vast dollar credits—enough already, should they call our gold, practically to deplete our entire gold reserve.

#### PERCENTAGE OF INCOME TAX DOLLAR DEVOTED TO FOREIGN AID

Even without this year's appropriations, the equivalent of 20 percent of the personal income tax dollar of every American is hypothecated by foreign aid. It is impossible to administer such huge funds which, under the ICA program, enter into every phase of the economy of alien countries.

We are virtually working to set up a planned economy in nearly every country in the world.

I believe this is the deliberate intention among certain officials, though I doubt if it is the intention of the Congress or the American people.

#### DEVELOPMENT LOAN FUND POLICY

For example, despite the intention of the Congress and the policy that the Development Loan Fund should promote private enterprise, 90 percent of its loans are made to governments. This results in ever-increasing state trading which in turn breaks down commerce, American private investments, and free enterprise, and it brings about international socialism—which is the first step to communism.

#### TOTAL ICA PERSONNEL

The personnel which has been set up to administer the ICA started with 450 men 12 years ago, is now more than 12,000, plus 9,000 administering the foreign military procurement.



Many of the loans that are being set up are repayable in local soft currencies. When soft currency competes with hard currency, it breaks down American investments abroad.

Many of these loan commitments which have been made in the foreign countries to build up basic industry have not taken into consideration the importance of developing secondary industry and developing distribution. It takes much experience and many years to develop an efficient distribution organization even in highly developed countries.

Furthermore, it is unrealistic to build up artificially underdeveloped countries beyond their internal resources and then indefinitely sustain them by continuous American aid.

All of this indicates that American business alone possesses the know-how and experience to expand commerce and international trade on a self-liquidating basis and with benefits to the American economy.

American industry has in its employ the vast majority of engineers and technicians who are able to evaluate the programs now being developed by the so-called point 4 personnel.

We have literally taken billions of our resources to provide our foreign competitors with the latest type facilities to strengthen their competitive effort.

#### EFFECT OF POLICIES ON AMERICAN INDUSTRY

At the same time, we are advocating free tariffs. The result is we are destroying one American industry after another, creating ghost towns, and are subsidizing unemployment through unemployment insurance at the taxpayers' expense.

The Development Loan Fund is authorized to make soft loans repayable in foreign currencies. No one of authority who has ever discussed the program has pretended that we would ever get our money back from these loans, that they do not deny that the whole scheme is a subterfuge for giveaway, to make the aid program more palatable to the electorate.

What is less well understood is the effect of these loans for economic development.

I would make three points:

#### LOANS TO GOVERNMENTS

First, 90 percent of the loans go to governments, instead of to private industry, and they serve to increase the tendencies to statism and socialism in those countries.

It hardly needs arguing that private enterprise cannot compete with State enterprise which can get its capital at low rates of interest, which pays no taxes, and which, in the case of these foreign aid loans, are under little necessity to repay the advances.

And so while we encourage state capitalism and socialism on the one hand, we put a blanket on private enterprise on the other.

The Development Loan Fund Act, it is true, directs the administration to encourage private enterprise, but it is not evident how this can be accomplished under the theory of the Fund.

Second, our effort is directed to building up integrated economies in the underdeveloped areas for which they are presently unprepared, and for which years of preparation are required.

Instead of encouraging these peoples to develop the resources that are indigenous, and the production of products for which they are peculiarly adapted by climate, constitution, or aptitude, the major effort is to provide them with industries that produce the things we have been selling, on the deceptive pretext of "saving exchange."

Thus, governments of these countries are encouraged to promote and program industrial complexes, little Pittsburghs, with steel mills, chemical industries, cement plants, and the like.

#### HOthouse INDUSTRIAL GROWTH

The result of this is to force upon them a hothouse industrial growth for which they have not the internal resources or the secondary industries to operate roads, communications, housing, and the legal apparatus of protection to workmen in their rights, and investors in their return.

#### FOSTERING COMPETITION WITH AMERICAN INDUSTRY

Third, in the areas of median development we have fostered a lush growth of industry in full-blown competition with American industry.

Countries where wage rates are at the subsistence level, where the protections and benefits accorded here to the workmen are unknown, have been equipped with the most modern machinery and processes, and with their low-cost labor have begun to flood the American market with wares of every sort and description.

#### TEXTILE INDUSTRY IN TAIWAN

Taiwan, for instance, that formerly obtained its cotton goods from Japan, has now been furnished, via the foreign aid program, with a modern textile industry, and is now proposing to enter the American market.

The decline of the American textile industry, as a result of foreign competition financed by our foreign aid program, has been detailed in testimony before the committees of Congress.

Using this as an illustration of what is happening throughout the industry, I may briefly state that in the 10 years since the beginning of the aid program, the textile industry has dropped over 300,000 workers, or a third of the total, 700 textile mills have closed down. Textile yardage is less than 10 years ago.

Our surplus cotton disposed of through the giveaway program returns to our shores in the form of textiles sold at prices which our own mills cannot meet.

A similar tale could be recounted for the plywood, the copper, and the brass, the typewriter, and a score of industries.

The latest to come to my attention is the competition from abroad in greeting cards, an industry that I had always thought was peculiarly and distinctively American.

#### FOREIGN AID—A FAILURE

Our committee is not unmindful of the fact that this huge unrealistic program has been set up with the idea of fighting communism. Certainly it is in order to analyze the results we have attained in Europe.

There, the communistic element is strongest in the areas that have received the most financial foreign aid.

Likewise, in the Middle East communism has made substantial progress in spite of the millions we have appropriated.

According to the records, communism has expanded in Indonesia, Thailand, and India, in the Far East.

In Latin America, certainly our lavish gifts have not stopped insurrection in Bolivia, Venezuela, Cuba, Guatemala, Haiti, and the Argentine.

Communist expansion progresses regardless of our foreign aid. It is accomplished by infiltration and then seizing the government in power. Communists have also followed the procedure in many foreign countries of sending teams of several hundred natives to Moscow to indoctrinate them thoroughly with the communistic philosophy and then returning these people to their native countries to bring about insurrection.

Certainly our billions wastefully thrown to all corners of the globe have not stopped this type of procedure.

#### FOREIGN AID WASTE AND MISMANAGEMENT

I now come to what is one of the most distressing aspects of the foreign aid program. I refer to the corruption and maladministration of these aid dollars. I do this with some reluctance because these distressing aspects reflect upon the image of America which the aid program seeks to create.

The most important contribution of America to the defense and upbuilding of the free world is not its dollars, its technical processes, its productive skills, nor is it its military might, its vast array of nuclear equipment, its fleets of airplanes, or its space missiles. It is the character of its people, manifested in integrity, reliability, honesty, devotion to duty and honor.

As a result of the patient and selfless work of generations of missionaries, of the many fine diplomatic representatives we have sent abroad, and the good sense and management of our businessmen, the image of America before the world has been fair, American prestige, in short, has been enormous.

How is that image sullied by the repeated disclosures of graft, corruption, maladministration and mismanagement?

The effect of one scandal cannot be erased by billions of dollars in gifts. It is better to spend a single dollar honestly than the \$75 billion we have given away with its odor of misapplication and laxness.

The excuse offered by the administration is that these are but incidents of a vast program and that they are in course of correction. But the facts are to the contrary.

#### SCANDALS IN IRAN

The melancholy list of scandals, as sad as a roster of war dead, continues to mount. It began with the first aid program, that of Iran, of which the House Committee on Government Operations said:

"It is impossible to tell what became of these funds"—referring to a "total of a quarter billion dollars," which it stated were "administered in a loose, slipshod, and unbusinesslike manner."

Despite these criticisms, the director of the Iranian program was rewarded by promotion to the even more important Korean program, where he was able to squander not hundreds of millions, but billions of dollars.

#### TOTAL CASES OF MISUSE OF AID FUNDS IN KOREA

And I am now advised, and I am sure that your committee can verify, that the Justice Department has some 120 cases of misuse of foreign aid funds in Korea.

In Pakistan, the Government Accounting Office, found as one incident, \$700,000 worth of Japanese-made pumps bought with foreign aid funds that were never used and left to rust in open storage.

Also in Pakistan, the Government Accounting Office reported over-indulgence on the part of administrators.

For 271 Americans, there were 229 passenger cars, 529 refrigerators, and 1,027 native helpers. Natives, bitter over the high living standards of Americans, observed that Americans brought cars into the country under special license and then sold them upon leaving at more than they had paid for them at home.

#### POLICY IN LAOS

In Laos, the Committee on Government Operations found that a State Department decision, independent of and counter to the judgment of the Defense Department, was that Laos should have a 25,000-man army, and added:

Having made the decision to support a 25,000-man army, the Department of State then placed upon ICA the problem of putting some \$40 million a year into an economy that could not absorb half that amount.

That report goes on to say:

Our findings, in addition to revealing a dismal return on \$4 million expenditure, demonstrate that deviations from sound administrative standards and procedures provide readymade facilities for corruption.

#### DISCLOSURES OF CONDITIONS IN VIETNAM

More recently the disclosures by the Scripps-Howard newspaper correspondent, Albert M. Colegrove, of conditions in Vietnam were so nauseous that the Ambassador and the country director have been recalled to explain the situation to the Senate Foreign Relations Committee.

In Peru, another Scripps-Howard correspondent reported the administration of the country director who had apparently promoted a sizable livestock operation through foreign aid assistance, and was eventually discharged after 15 years' service.

#### HOUSE COMMENT

Representative Passman, chairman of the House Appropriations Subcommittee, in reporting the foreign aid bill to the floor, declared that—

hearings before this committee showed practices in the military aid program which were almost unpardonable.

Comptroller General Joseph Campbell, in testifying before the committee said that investigations by his auditors showed a—  
pattern of loose, lax administration runs through the entire complex—  
of the foreign aid program.

GAO investigators related that the Defense Department admitted that "million of dollars" of war supplies had been wasted in South Korea, that "diversion, pilferage, and thievery" had stripped American military aid supplies to such an extent that critical shortages resulted.

The Committee on Government Operations, reporting on foreign aid construction projects, June 26, 1958, declared:

The administration of major construction projects in the foreign aid program by the ICA has been inadequate, indifferent, and incompetent.

For example:

The ICA permitted the construction contractor on the Cambodian road to purchase about \$1 million worth of used equipment from himself—

and as a result of straw corporations—

neither he nor his corporations have paid any Federal or State income taxes on a profit which appears to have approximated \$500,000.

In Thailand, objective supervision of construction of the Bangkok-Saraburi highway was—

complicated by the personal economic consideration of two members of the USOM staff—

which is a mild statement indeed. The report further states that estimates for a 200-mile highway came to \$7.5 million. A subsequent survey increased the estimate to \$22 million, as a result of which it was decided to build only the first half. The cost of this half is now expected to cost \$21.4 million.

In Vietnam a contractor stated that—

progress made during the 5 months consists of mobilization of headquarters office, equipment, and facilities—

and the report asks why a labor force of 849 persons were required solely for its own housekeeping.

#### PROGRAM IN BURMA

Referring to the program in Burma, Representative Passman stated:

Twenty-five million dollars is still a lot of money, and when you go into a country and you cannot find any trace of any benefit from that program, you wonder what we did teach them while we were there.

Senator Long has provided the answer to Representative Passman's question. In the Senate on June 9 he told the story of Mr. Lim Cher Kheng, of Singapore, a guest of some members of the Senate Foreign Relations Committee. One of the Senators asked him, Senator Long reported, "What do you and your people think of us and our foreign aid program?"

Mr. Lim's answer was "They think you are corrupt." He went on to say:

Our people do not understand anything about communism, but they do understand about corruption. They think the Americans are spending money to help our corrupt politicians. When one of our people sees an American official driving in a big car with one of our politicians who we know steals from our people, it is felt that the American big shots must be corrupt too.

The significance of all this, which is missed by the administration, is that these happenings are inevitable, considering the nature of the

monster we have created. They are inevitable, first, because the money is voted en camera, and spent en camera.

As Senator Gruening has so eloquently pleaded, Congress and the American people are entitled to the same budgetary justifications and explanations for foreign aid as are given for appropriations for the domestic establishments.

Where these expenditures are hid under a bushel, you can expect stench and decay.

Second, they are spent abroad, far from the vigilant eye of the press, except where exceptionally brave correspondents are willing to hazard their reputations in seeing for themselves, and from the vigilance of citizens and their representatives.

Third, as has been amply exposed, there is an absence of the official audits and controls that make for good administration. Vital information is withheld from the Comptroller General on the plea of "national interest." Congress works under the same handicaps.

#### MUTUAL SECURITY ACT 1959—PORK BARREL LEGISLATION

I have reviewed the mutual security appropriations for 1960 as passed by the House July 28, 1959. It is one of the greatest pieces of pork barrel legislation ever conceived.

Aside from the vast sums appropriated by an ever-increasing bureaucracy wielding a blank check, it will do more to socialize society than any step we could take.

It is certainly far afield from the concept of our Constitution to give handouts and become involved in the economy and political problems of every country in the world. Yet we are doing this at a time when our fiscal year 1959 budget was unbalanced by \$12.5 billion, when inflation is our greatest threat, when reduction in Federal spending and elimination of waste should be our watchword.

Every one of our foreign aid measures will accelerate the flight of gold at the very time when restrictive legislation is imperative.

#### PROPOSED CORRECTIVE MEASURES

I shall suggest some corrective measures:

**NATO.** We should reduce our commitments instead of increasing them.

(Read military testimony of our committee before other congressional committees.)

The NATO countries who enjoy substantial prosperity are not carrying their proportionate defense share.

The mutual security program for the fiscal year 1960, passed by the House, appropriated \$1.3 billion for military assistance, the greater portion of which is for the NATO countries. NATO, in war, may be forced into neutrality and remain outside the war effort.

Military assistance to underdeveloped countries.

This may turn out to be another explosive appropriation. Underdeveloped countries can afford no more, and need no more than a police force for internal security.

Defense support, \$700 million. This vast sum goes principally to Spain, Greece, Iran, Pakistan, Turkey, Cambodia, Taiwan, Korea, Laos, Philippines, Thailand, and Vietnam. This appropriation

should be rescreened by our military experts and substantial economy effected.

Development Loan Fund, \$550 million.

I do not believe Export-Import have exhausted all hard loans. Why create a competitor at a time when, over a period of 5 years, we have had a gold flight of \$5 billion?

Management and control by the Export-Import Bank would be much more efficient and economical.

Moreover, the Export-Import can stimulate private business to assume larger responsibilities. Highways, irrigation systems, water, sewer, sanitation, and power development can and should be financed largely in the free capital markets of the world at prevailing interest rates.

Most underdeveloped countries have rich natural resources. If the local political climate is favorable, American private industry would assume greater responsibilities. At the moment, we have surpluses in many commodities and raw materials.

It is contemplated that the United States will stockpile more surpluses and thereby impose still higher taxes? Or will we allow the free market to develop the pace of opening new pits and expanding world agricultural production?

Technical cooperation, \$150 million. American industry could take on a substantial part of this job. We should stop providing technical people to dream up spending schemes.

Yugoslavia, many parts of Africa, Middle East, and Japan have plenty of technical people. Latin America has ample talent. Bolivia, because of its hostile attitude and Venezuela, one of the richest countries per capita, should not receive help.

Cuba which is expropriating private property, does not deserve assistance.

United Nations. Refugee fund, \$1.1 million.

Children's fund, \$12 million.

Relief fund, \$25 million.

This is another one-world organization drawing heavily on the United States, despite the fact that we are outvoted.

Special assistance, \$200 million. This appropriation is designed to promote political and economic stability on terms and conditions specified by the President. It is another blank check and should be eliminated.

Palestine refugees. This is a serious problem and requires the leadership of an outstanding international commissioner who will force action.

Administrative expenses: ICA, \$37 million.

State, \$7.9 million, plus overall administration expenses.

These figures are far too high. A systematic table of reduction should be developed in proportion to appropriations.

Education, training fund, a system of repaying should be developed.

Investment guarantees, these should be rationalized and put under Export-Import Bank supervision.

Atoms for peace, \$1.5 million. Recipient countries are able to meet these costs.

President's contingency fund, \$155 million. This is far too high; it should be cut 75 percent.

Loan repayments, this is an intricate problem which must be studied by experts. Export-Import Bank must set its policies on changing conditions.

Areas of real starvation, a program for handling excess commodities should be developed.

NATO conference. The Europeans are primarily interested. Why spend \$100,000 to bring them to Washington when are in the red?

Comptroller General, he should be responsible for tighter controls. He should tabulate in detail all expenditures during the last 5 years. His report should be made available to the Congress January 1, 1960.

Our committee holds that the American people have the right to demand from the administration:

1. Well defined objectives for the foreign aid program so that they can be evaluated in the light of our huge national debt and deficit spending.

2. A detailed report on the results of this program for the past 5 years.

3. An immediate schedule developed and adopted to reduce the 1960 foreign aid appropriation to total of \$1.9 billion, without any additional development funds.

Finally, it is most unrealistic to assume that the United States with 6 percent of the world population and depleted resources can support 94 percent of the world on a giveaway program as envisioned by legislation under consideration. As long as we are in the red, Congress first responsibility is to the American taxpayer and to keep the home base strong.

#### REAPPRAISAL OF ENTIRE FOREIGN AID PROGRAM

In the light of the foregoing, it is the recommendation of our committee completely to reappraise our entire foreign aid program. We believe it is the responsibility of Congress to live within its income.

Our committee has endeavored to develop a constructive program; with this in mind we make the following recommendations:

1. That our traditional general private charity and governmental grants to relieve disaster be continued; that we encourage the expansion of our private missionary efforts.

2. (a) That in countries which are still in a state of war against Red aggression, military assistance, for the time being, should be continued, but on a realistic basis.

- (b) That for our own free world survival, the United States build and maintain overwhelming airspace-nuclear supremacy over that of the Soviet Union.

This can be effected for less than is now being spent for defense and foreign aid merely by reducing appropriations for our military surface forces which are no longer decisive and by terminating foreign aid.

3. (a) That foreign aid which directly or indirectly promotes governments that are hostile to our constitutional concepts of government be terminated immediately.

- (b) That we cease immediately using foreign aid to enable socialistic governments to finance government-owned industries that discourage private enterprise, support a basic principle of communism, and are a competitive threat to American industry.



## DEVELOPMENT LOAN FUND ACT PROVISION

Chairman HAYDEN. I might state to you that Congress has at lease in one instance taken that matter into consideration. In the Development Loan Fund Act there is a provision that in making loans consideration shall be given to—

the possible adverse effects upon the economy of the United States, with special reference to areas of substantial labor surplus, of the activity and the financing operations of the transaction involved.

In other words, we have directed specifically that that particular Federal agency not make loans that will in any way promote the production of goods that might be imported in the United States in competition with our industries.

Mr. HARNISCHFEGGER. Of course, the thing we cannot understand, first of all, the Development Loan Fund finally evolves largely as a soft money loan fund, No. 1.

No. 2, the Export-Import Bank has done the most outstanding job with 450 men, they have loaned \$7 billion and to date they have earned \$700 million.

And why go to work and create new agencies of the Government which are more or less of a bureaucratic nature, when you have not exhausted your hard money loans that may be available.

Continuing with my statement:

4. (a) That so long as governmental foreign aid is continued, the recipient should pay a part of the cost of the proposed project; that our aid should terminate when the conditions on which that request is based have been remedied; that private, technical, scientific and educational assistance be extended only to friendly peoples who seek our aid on a cash or loan basis.

In any successful enterprise, experienced management is the principal ingredient.

By virtue of the necessity to make a profit, business possesses many more men whose learning has been directed toward results, economy, and developing self-liquidating projects.

Every effort should be made to expand the experience of men employed by American business in its outposts, reinsure private bank credits, utilize engineers employed by American companies to develop programs without charge that are self-liquidating.

(b) That greater encouragement be given to private capital as a substitute for Government financed programs. Foreign gifts stimulate socialism and communism. American foreign investments build up the standard of living, increase production, produce profits and taxes, and are self-liquidating, and accrue to the advantage of the American economy.

(c) That soft loans and local currency loans, which are an abomination to sound practice, be abandoned.

(d) That counterpart funds, which are impossible to administer effectively, and are a political fester in foreign countries, be liquidated by sale on the best terms obtainable and all counterpart accounts be closed.

5. That until foreign aid is terminated, the Congress take steps properly to exercise close supervision and control over the manner in which all foreign aid funds are being spent; that aid during the tapering off process be handled by the Export-Import Bank.

6. That the \$3.9 billion requested by the President for the fiscal year 1960 be reduced \$2 billion, and that each year thereafter foreign aid be substantially reduced until terminated within 3 years.

And now may I say in conclusion, in acting on this foreign aid program, you members of the Senate Appropriations Committee have a most solemn responsibility.

Our treasury is empty.

Foreign aid money must be borrowed.

Our budgets are unbalanced.

Our taxes are confiscatory.

Our debt is unprecedented.

Inflation is upon us.

Our economic aid finances foreign competition.

Our military assistance robs our own defenses.

Foreign aid establishes socialism among recipients.

Foreign aid is not authorized by the Constitution.

Foreign aid is repugnant to most Americans.

Our committee is composed of experienced, responsible, dedicated Americans. We have studied this problem realistically and thoroughly. We urge you to consider well before you act.

Again, I thank you, gentlemen, for the privilege of appearing before you.

(Additional information submitted follows:)

#### LOSS OF TREASURY GOLD SINCE EARLY 1958

(By Walter E. Spahr<sup>1</sup>)

##### *Withdrawals since February 19, 1958*

Foreign withdrawals of Treasury gold, which have been attracting considerable attention, began during the week following February 19, 1958. On that date Treasury gold stood at \$22,785 million. For the week ending December 31, 1958, the Treasury's gold was down to \$20,526 million, a decline of \$2,259 million in 45 weeks. For the week ending May 13, 1959, the Treasury's stock was \$20,251 million, down \$2,534 million during the 64 weeks since February 19, 1958.

##### *No net exportation of gold; an increase in earmarking*

There has not been any net exportation of gold during this period; each month February 1958-March 1959 (latest data available) has shown a net importation of gold—\$234,000,000 for that period.

Gold earmarked for foreign and international accounts increased \$2,504,300,000, February 1958 to March 1959, inclusive, standing at \$8,064,300,000 on March 31, 1959—an alltime high level. Gold held under earmark for foreign account (at the Federal Reserve Bank of New York) is not included in the gold stock of the United States. Earmarked gold can arise either from withdrawals of Treasury stock by foreign central banks and governments or by certain international financial institutions, such as the International Monetary Fund; or from gold exportations to the United States with instructions that it go into the earmarked fund.

##### *Comparison with past withdrawals*

The withdrawal of \$2,534 million, during the 64 weeks since February 19, 1958, amounts to approximately 11 percent of the \$22,785 million of total gold stock for the week ending on that date. That is a relatively heavy percentage of withdrawal as compared with above-average withdrawals in preceding years or periods. The withdrawal for the year 1958 (\$2,259 million) was approxi-

<sup>1</sup> Mr. Spahr, professor emeritus of economics of New York University, is executive vice president of the Economists' National Committee on Monetary Policy. He has been, for many years, one of the most highly regarded authorities in America on money and on the fiscal policies of our Government.

mately 0.9 percent of Treasury stock for the week ending February 19, 1958, and approximately the same percentage if computed against total gold stock at the end of the year plus gold withdrawn. (Total gold stock is slightly larger than Treasury stock.) The preceding relatively heavy percentages of withdrawals (exports and earmarking), based upon total gold stock remaining at the end of the year plus gold withdrawn, were 7 in 1950; 0.7 in 1928; 0 in 1941; 5.5 in 1933. The average of the yearly withdrawals for the 36 years, 1922-57, was 1.3 percent. During 23 of these 36 years, there were additions to the Nation's (or Treasury) gold stock.

#### *Ratios of Treasury gold stock to nongold money and deposits*

The ratio of our Treasury gold stock to all our nongold money and bank deposits stood at 7.85 percent on March 25, 1959. This compares with 10.4 in January, 1953; 0.0 average for 1933, the first year we were off the gold standard; 8.0 average for the period 1915-32, a gold standard period following the creation of the Federal Reserve System, during which the range for the yearly averages was from 0.7 to 10.0 percent. The highest ratio was 24.0 in 1941.

#### *Foreign short-term dollar claims on our gold*

As of February 28, 1959, total foreign short-term dollar claims stood at \$16,600 million, the peak in our history. Of these only official claims (\$8,746 million) and those of international institutions (\$1,541 million) are directly convertible into dollars—a total of \$10,287 million as of February 28, 1959. Foreign gold withdrawals in 1958 amounted to 14.0 percent of the average monthly total foreign short-term dollar claims of that year (\$15,520,330,000) or 12.3 percent of those claims at the end of the year plus gold withdrawals for the year.

Those foreign short-term dollar liabilities are potential claims on our Treasury gold stock of which only a relatively small percentage is in general ever exercised. For the 36 years, 1922-57, the average percentage of gold withdrawn amounted to 3.5 percent of foreign short-term dollar claims at the end of each year plus the gold withdrawals for the respective years. The range in yearly ratios of gold withdrawals to foreign short-term claims, so computed, for the years 1922-27, was from zero, which occurred in 23 of the 36 years, to 37.1 percent in 1933. This 37.1 percent requires interpretation. In that year, foreign short-term dollar balances were at the lowest level for any of the years 1922-58—\$392 million (end of year). That 37.1 percent withdrawal involved only 5.5 percent of our total gold stock for the same year. The withdrawal of gold in 1938 amounted to 12.3 percent of total foreign short-term dollar claims at the end of that year plus gold withdrawals for the year and involved 0.9 percent of our Treasury gold stock at the end of the year plus gold withdrawals for the year.

Thus we have 12.3 percent of claims exercised and 0.9 percent of gold stock withdrawn in 1938 as compared with an average of 3.5 percent of claims exercised and 1.3 percent of gold withdrawn during the period 1922-57.

The comparison involved is therefore unusually unfavorable to the year 1958 as compared with the period 1922-57. There are valid grounds for concern regarding, and for careful scrutiny of, these developments of 1958-60.

#### *Surplus gold stock still available for withdrawal*

For the week ending May 13, the Federal Reserve banks had a surplus above their legal reserve requirements of \$8,560 million in gold certificate reserves. The U.S. Treasury, on May 12, had a free gold balance of \$304,402,711, thus giving a surplus of gold available for foreign withdrawals equal to \$8,864,402,711.

Since the Federal Reserve banks can, by paying tax penalties, go below their minimum reserve requirements of 25 percent if necessary, an even greater amount of gold could be paid out.

Of the total foreign official short-term claims of \$10,287 million, as of February 28, 1959, which could be exercised, the principle of probability indicates that the prospects of a large percentage of such claims being exercised over a considerable period of time are relatively small unless our Government persists in pursuing an inexcusable course of piling up additional foreign claims against our declining stock of gold. If we were to lose the highest percentage ever recorded, 1922-58, the 37.1 percent of total claims in 1933, and apply it to the exercisable claims of \$10,287 million in February 1959, the additional amount to be demanded would be \$3,810,477,000 to cover which we have a surplus of \$8,864,402,711, and even more if the reserve requirements of the Federal Reserve banks are breached.

These facts do not mean that we could lose approximately \$4 billion or \$8 billion more of gold without experiencing serious consequences. Psychological reactions are important factors; and public reactions to a persistent and relatively heavy loss of gold are highly unpredictable. At some point in such withdrawals confidence in the future value of the dollar could be seriously impaired and the dollar could suffer a heavy discount in foreign exchange because of the expectation that the Federal Reserve banks and Treasury would in due course reach the end of their capacity to pay out gold at the standard rate. Placing an embargo on further exportation of gold could be expected to precipitate a sharp discount in the value of our dollars in foreign exchange; and this depreciation could be expected to bring domestic depreciation at closely related rates. Maintenance of the value of our dollar in foreign exchange requires unhesitating redemption at par even if this involves impairment of the minimum Federal Reserve bank gold certificate ratio. There is, therefore, genuine danger in pursuing with recklessness the course now being followed by our Government. Piling up further foreign claims against our gold stock is inexcusable, particularly since there is no valid defense for permitting redemption of foreign claims in gold while our people are denied the right of redemption.

Various attempts have been made to demonstrate that our gold supply is already inadequate or presently in danger. Such attempts are not in accord with facts. Much of this effort comes from those who are attempting to obtain another devaluation of our dollar, and a common device employed by those people is to offset all foreign short-term dollar claims against our gold stock and to treat potential claims as though they would prove to be actual claims. Such a procedure cannot be defended. If that procedure were applied to insurance companies or banks, for example, it could be demonstrated that all of them are in fact, bankrupt. The principle of probability based upon the lessons of experience is the only principle that is permissible if one's purpose is not to mislead. Every object of value is supplied in the light of the principle of probability; and we are faced with the principle of probability in respect to the future exercise of potential claims against our Treasury's stock of gold.

#### *Attempts to explain the Treasury's loss of gold*

The attempts frequently made to state the reasons for the Treasury's loss of gold rest largely upon conjecture or guessing rather than upon adequate evidence. Foreign central banks and governments and international institutions which have dollars and choose to convert some of them into gold may do so; and they are not required to explain their actions and, apparently, ordinarily do not do so.

The common allegation that the gold withdrawals of 1958-59 are evidence of a flight from the dollar needs to be offset against the fact that while some dollars have been converted into gold, the foreign short-term dollar claims have been climbing to a record height.

A frequent explanation, that a major cause of the conversion of nongold dollars into gold is to be found in the relatively sharp drop in exports as against imports, fares no better in the light of mounting foreign short-term balances while Treasury gold is being drawn down.

The point is that the official foreign holders of dollars may choose to convert a portion of their dollars into earmarked gold for any number of reasons that seem satisfactory to them, without explanation to us and without any official data as to reasons being available to us. We may notice at some subsequent date that a central bank's reserves in gold have increased or we may trace some other manifestation of the use of the earmarked gold; but in general we do not have access to data that would explain why the Treasury's gold stock declined and the volume of gold earmarked for foreign account increased in approximately the same amount. Gold is the most marketable monetary commodity in international exchange; and it may be utilized for an endless number of reasons. When we cash a check at our bank we are not required to explain what we propose to do with the money received. Foreign official drafts against our gold stock fall in the same general category.

#### *Piling up of more foreign dollar claims against our gold stock and dissipating the stock itself*

Our Federal Government, in various ways, continues to pile up more foreign dollar claims against our declining gold stock and is making further commitments and proposals to dissipate still more of the Treasury's gold stock—for

example, to subscribe another \$344 million of gold to the International Monetary Fund and to provide it with \$1.375 billion, and the International Bank for Reconstruction and Development with \$3.175 billion, additional potential dollar claims against our Treasury's gold. Foreign aid and other programs are also providing still more dollar claims against our gold stock. To these are added such proposals as that to create an International Development Association to finance projects which, apparently, good banking procedures could not support.

The picture is one of the prodigal and reckless spender and dissipator who, even though his ultimate reserve is falling rapidly, and the potential claims against that reserve are relatively heavy and rising, nevertheless continues his foolish practices with unrestrained abandon.

Pursuit of this course by our Government would appear to be inviting extremely serious trouble for this Nation. It seems to reflect a remarkable degree of irresponsibility on the part of those Government officials responsible for such policies and programs, and a failure on their part to understand that it is sound fiscal and monetary practices which induce gold to flow to, and remain with, a nation. The revival of an improved quality of fiscal and monetary management in West Germany, and more recently in France, provides illustrations of this elemental principle; and our Government should heed the very important lessons which should be obvious to competent and responsible people.

*Is much of the foreign aid program injurious to America and her allies?*

FOREIGN AID SEEN BY A FOREIGNER

(By M. A. Thurn-Valsassina)

Does government to government economic development aid give the average citizen of the recipient countries a better life?

Does this kind of aid make the world more stable and safe for the donor countries?

These are the questions we should ask ourselves whenever economic needs and aspirations from distant areas and people are brought to our attention. The general opinion in America seems to be that government to government aid is the answer. Now, we are asked, can a big development loan fail to raise the standard of living of the masses in the recipient country? How can the improvement in the material conditions of life—more food, better housing, and clothing—fail to influence the national character, to make people more peaceful and law abiding? This is a reasoning easy to follow and to understand. To many the conclusions are clear. Others, and their numbers is growing, have serious doubts. Here I attempt to subject the whole foreign aid theory to a critical analysis.

The term "foreign aid" is broad. Foreign aid can mean governmental guarantees to private investors, defense support, postwar reconstruction, flood and famine relief, grants for balancing national budgets, and many other things. For the purpose of this examination the use of the term is limited to continuous government to government contributions to economic development programs. No distinction will be made between grants, loans, and operations incorporating grants as well as loan features.

It is easier to understand the implication and repercussions of this type of foreign aid if one familiarizes oneself with the concept of economic order. Two basic forms of economic order may be distinguished: the "controlled" (or centrally administered) and the "free market" (or free enterprise) order. In the first form, what and how much is to be produced and imported is determined by central authority; in the second, by the consumer (through the price mechanism). Power, influence, distinction are the rewards in the one case; profit after taxes in the other.

These two prototypes of economic order exist only as models. The type of order existing in any given country will inevitably be of a mixed variety, incorporating elements of both basic types. Even in Russia there is a free market for certain farm produce, whereas in the United States, whole segments of the economy are subject to controls of production and distribution. The important thing to know is which element predominates: the "government control" or the "free market," and what the current trend is.

The economic order covers only one aspect of human activities. There are others which require regulation. For that purpose political, legal, and social orders have been devised. Together with the economic order, they form the comprehensive framework within which human society develops.

There is a strong interdependence among the different orders governing human life. Some of these orders are in conflict with one another, others are complementary. A totalitarian political regime, for instance, will not join with a free-market economy or the "rule of law." A legal order providing for an independent judiciary, on the other hand, excludes totalitarianism as a public philosophy, as well as central controls as an economic principle. Finally, a centrally administered economy makes it difficult to maintain for any length of time constitutional government and legal protection of individual rights. Awareness of the interdependence of human orders is essential for the understanding of foreign aid and its implications.

The majority of the countries which have gained their independence since the last war have incorporated the political institutions of their former masters into their national life. They have representative governments, parliaments, a free press, and the like. These, if nothing else, maintain certain ties with the West. At the same time, these institutions constitute a permanent source of discord with Russia. Both major powers are aware of this. The Americans are interested in maintaining and strengthening in the new countries American-type political forms and institutions (commonly known as democracy). The Russians, on the other hand, try to discredit them and have them replaced by those of their own creation.

Most of the new countries inherited (together with Western political and legal institutions) an economic order based on private ownership, free enterprise, and competition, with a fair amount of decentralization of economic decisions and financial power. The Russians know that if the economy is transformed into a controlled one, the Western political and legal institutions can be deprived of more and more of their meaning till one day they become obsolete.

There are two ways for transforming the economic order of a country: changing financial policies, and changing ownership relations.

Take a "free enterprise" economy. An economy of that type rests on two pillars: one is freedom of pricing and competition, the other private property. Without the support of these pillars, the order will collapse. There are two ways in which this collapse can be brought about. One is deficit spending, the other nationalization.

Deficit spending (the provision of capital through the printing press) increases demand for consumer goods without a corresponding increase of supply. Prices rise. The public, not aware of the men operating the printing press, hold tradesmen and manufacturers responsible. No government can ignore this. It will have to protect the public against "exploitation" by imposing price ceilings. This will soon be followed by rationing and allocations. In a year or two, little of what constitutes a "free enterprise" economy will be left.

Nationalization, on the other hand, gives the government control of the means of production. It is unlikely that it will let the consumers determine how they are to be employed, how much and what type of merchandise is to be produced: for what, then, would be the object of nationalizing? It seems obvious that the government will use the powers that ownership gives to carry out its own designs. Djilas rightly asks in his "New Class" "how an economy can be administered other than by central planning, when it has or is going to have a single owner" (p. 114).

In the case of a centrally administered economy which is to be transformed into one of the "free enterprise" type, the reverse course would be followed. A balanced budget and restricted credit make quantitative controls ineffective even if they are not formally abolished (the Austrian experience during 1952 and 1953 is illustrative of this). Business restored to private ownership revives the spirit of private enterprise. "Wherever monopoly of ownership has been impossible," we read in Djilas' book, "freedom to some degree has become inevitable" (p. 65).

*How does "foreign aid" affect the economic order?*

This is the crucial point. To answer it we have to examine the impact of foreign aid on the monetary system and on ownership relations.

It must be recognized that the administrators of foreign aid programs are fully aware that dollar financing of development projects can create inflationary

pressures. For this reason, contributions to such projects often are limited to the financing of import requirements and to the release of counterpart funds. This reduces, but does not eliminate, the inflationary danger. Every one of the major projects executed under a foreign-aid program requires a number of complementary investments which are not and cannot all be financially provided for. As the need for such investments becomes apparent, the foreign-aid-receiving country usually has no alternative to central-bank financing. The Austrian inflation of 1947-51 was mainly due to this cause.

The main effect foreign aid has on economic order is through its impact on ownership relations. If the use of the aid funds is left to the authorities of the receiving countries, the money will go to the sector of the economy subject to the direct control of these authorities. This is the public sector. "Such property," Djilas says, "is legally considered social and national property, actually a single group manages it in its own interest" (p. 65).

With inflation and nationalization, the public sector in the aid-receiving countries will expand and the private one contract. If this trend is not arrested, the markets one day will become too small, and profit incentives too weak to support free enterprise. The transformation of the economic order will then have been completed. Already in 1957, C. Johnson writes in his report to the Foreign Relation Committee that, "There is [in Asian countries he visited] little or no encouragement for private enterprise. It is politically more popular to erect state-owned publicly administer monopolies which afford opportunities for patronage and special favors." (Committee Publication No. 7, March 1957.)

Americans appear just as concerned with the trend toward public ownership as with inflation. They may not be fully aware of the impact that these forces have on economic order. What they see, however, is the tremendous waste, the misdirection of resources, the corruption inherent in the system. For that reason they are reluctant to approve the use of foreign-aid funds for financing government projects outside what is generally accepted as the realm of state authority (public utilities, transportation, etc.). As for inflationary pressures, Americans often withhold releases of counterpart funds in an attempt to curb them.

Now, if this attitude prevailed, the reasoning behind it would be of little consequence: a "no" to a request for assistance because of "mismanagement" or a "no" because of effects on economic order amounts for practical purposes to the same thing. Unfortunately, the attitude does not prevail.

Before continuing with this presentation, we have to refer to a fundamental difference between the approach of the United States to development aid and the attitude of underdeveloped countries.

American foreign aid policies appear to be based on three assumptions. The first is that the economic potential these policies help new countries to create will be used for improving the standard of living of the masses; the second, that better living conditions (or an end to the grinding poverty in which most of the people in these areas live), will strengthen the internal stability and the spirit of independence of these countries; the third, that this will help American security. "Greater production," President Truman said in his inaugural address of 1949, "is the key to prosperity and peace."

It should be noted that this type of reasoning is peculiar to the United States. Europe may be just as conscious of the Russian threat. It may have just as much to lose if the underdeveloped countries fall under Russian domination. Yet, in Europe "economic development" has not aroused the big popular concern that exists in America.

The reason is not lack of money. There are countries like Switzerland which always were able to help, and others like Germany which have recently come into a position to contribute to the development of foreign economies on a non-commercial basis (grants, "soft" loans). The reason is not pettiness, either. The Swiss, for instance, on numerous occasions and at considerable sacrifice to themselves, have given other countries famine aid and flood relief. Yet they have refused to participate in the type of continuous aid to economic development which the Americans feel themselves committed to.

Occasional appeals for aid to underdeveloped countries from European statesmen should not mislead one. The motivations of these appeals differ. Some are ideological: such an enthusiasm for an economic order based on comprehensive development-planning and compulsory saving. Others are commercial, with prospects of bigger orders from aid-receiving countries, higher earnings and higher employment ratios in the national export industries. Whatever the

reasoning, European appeals for economic aid to underdeveloped countries apparently have one thing in common: the understanding that the American taxpayer, and the American taxpayer alone, will foot the bill.

To the rulers of some of the recipient countries, foreign aid means something entirely different to what it means to Americans. For them it is primarily an instrument for subjecting the productive forces of their countries to their political and ideological objectives. The great impression that economic development in Russia and China makes on them suggests that this assumption may be well founded. Better living conditions for the population and internal stability may well appear desirable. Planning for political power, however, must come first.

One can also put it thus: Whereas for Westerners economic development is closely related to individual wants such as food, clothes, housing, and transportation, for the Eastern countries such a relationship does not necessarily exist. For many of them, the capacity to launch sputniks indicates a higher standard of development than production of motorcars, television sets, and refrigerators.

The other day a friend of mine asked me whether I considered Russia an underdeveloped country. Without hesitation I said that I did. Prof. D., who was present, disagreed. "How can you say such a thing," he protested. "Would you call a hunk of a man standing in front of you, all set to punch you in the nose, underdeveloped?"

"If this man makes just enough in 10 hours of daily hard work," I replied, "to rent a bedroom and to buy staple foods and rough clothes to keep himself warm; and if he has little hope of ever obtaining any of the amenities of our civilization, such as iceboxes, bathrooms, and seaside vacations, I certainly would. Economically speaking, he is underdeveloped. Now, of course, if you consider the essence of economic development to be muscular strength, the capacity to throw your weight about in the street where you live, to intimidate your neighbors, then Russia is the most highly developed country in the world."

The assumptions on which American base economic development are open to serious questioning. For one thing, the economic potential created with the help of foreign aid does not have to be used to improve the living conditions of the people; for the other, such an improvement would not necessarily change jealous and power-hungry individuals into men of opposite character, or politically immature societies into mature ones. We have only to look at Russia to see that economic potential can be devoted to military power and prestige, rather than public welfare. Iraq and Egypt, on the other hand, show us political contentment is not just a function of real income. The per capita income in Iraq and Egypt is two to three times as high as in other Asian and African countries. (Egypt \$110; Iraq \$85; India \$54; Ethiopia \$50; Angola \$50.) P. T. Bauer is right when he says that "the character of a society is governed by its historical development, by natural and ethnic characteristics, by institutional arrangements, that is factors and influences other than the conventionally measured flow of goods and services." It is, therefore, difficult to see how "environment conditioning" of the type practiced by foreign-aiders can accomplish what is intended.

So long as Americans believe in the validity of the assumptions underlying their foreign-aid policies, therefore they will wish to get a maximum economic (as opposed to political or propaganda) effect out of a given sum of money. This is because only a real increase in productivity can bring the economic betterment from which they expect peaceful coexistence to flow. To insure the maximum effect they attach conditions to the use of aid funds. Projects must be "economically justified." There must be bidding for contracts. Disbursements must be subject to control. Finally, the hope is expressed that some small part of the loan or grant proceeds be reserved to the ailing private sectors of the different economies. This is done not so much for ideological reasons as out of a feeling that private individuals are more rational in their use of scarce goods and services than government officials, and will accomplish more with a given sum of money than does the state.

The Conley amendment provides that 25 percent of local currency loans under Public Law 480 shall go to private enterprise. Loans granted under this provision, however, have to be "mutually agreeable." The Development Loan Fund, it is hoped, will also "encourage private competitive business."

If all the rulers of the recipient countries had the same approach to economic development as do the Americans, they would welcome such conditions. As we have seen, they do not. Any form of control and supervision of aid funds inter-

<sup>1</sup> "Economic Analysis and Policy in Underdeveloped Countries," p. 126.



feres with their natural desire to put these funds to a maximum political advantage to themselves. They will resent special requirements and limitations in the use of aid funds just as much as they resent the demand for political alignment, facilities for bases, and other political conditions. The State Department, anxious to avoid irritation and offense, therefore opposes such limitations. It tends to recommend the granting of aid on the most liberal terms possible. The administration is said to be seeking a revision of the Cooley amendment for fiscal year 1960.

It is frequently argued that the Soviets do not attach any conditions to the development aid they give. Those who demand similar restraint from the United States, however, do not realize how different the positions are in which the two powers find themselves. Every cent the Russians spend on development aid goes into the public sector of the recipient economy. One hears that they ask for this. Even if they refrained from doing so, however—and this is the crucial point—the rulers of the recipient countries would see to it that the money went, and stayed, there. Their own political interests require it. For America, the situation is entirely different. There a loan condition favoring private enterprise has to be imposed on an unwilling borrower.

With growth limited to the public sector, the economic order in the aid-receiving countries is bound to be affected. From a predominantly free-enterprise and private-ownership economy, there will gradually emerge a system of public ownership, comprehensive development planning, and compulsive saving, very similar to the system existing in Russia. We have seen above that such a system is incompatible with Western-type political and legal institutions. Unless present policies are altered, these institutions will become progressively weaker. Their final collapse may mean the end of Western influence. So government-to-government development aid, while making excellent sense to Russia, can be most harmful to the West in general and America in particular. Instead of preventing Communist penetration, through its effect on the economic, and thus on the social, political, and legal order, it can actually accelerate Communist advances.

Not long ago I took part in a discussion of foreign aid. The American distributing agencies and their field representatives abroad came in for much criticism because of their passive acceptance of policies and procedures in recipient countries. Somebody objected to this criticism. "It is not the function of foreign representatives," he said, "to try to change the economic system of the countries of their appointment to the likeness of their own."

"I go along with this," I said. "Desirable though such a change may, in some cases, appear, attempts to bring it about made by a foreigner will almost certainly end in failure. What we are witnessing now, however, is quite something else. It is the spectacle of westerners transforming, through their lending and granting activities, the economic system of countries from something not unlike free enterprise to the exact opposite. That this is not done intentionally does not change the results."

The true nature of foreign development aid is, fortunately, beginning to become apparent. If it were not for the fear that recipient countries would carry their needs (and sympathies) to Moscow, a sizable reduction, if not complete abandonment, of this type of aid might be feasible.

Why, we may ask ourselves, does the possibility of an increase in Russian aid exert such a deterrent influence? Are not requests for Russian aid being made continuously from all corners of the globe in spite of the large volume of American assistance? The Russians cannot possibly help every country at the same time. A suspension of American development aid is bound to reduce the total sum of foreign assistance received by any of the new countries. This will cause acute disappointment, to some even embarrassment. On the whole, however, the effects should be salutary. The consequences of mistaken policies, inefficiency, and corruption, hitherto concealed by such assistance, will be laid bare. Faced with a breakdown of national development plans, public opinion might be ready to consider a new approach to the problem of economic growth.

#### *An alternative method*

Now I attempt to suggest a new basis for Western aid in the economic development of underdeveloped countries.

What underdeveloped countries need most is a legal and institutional framework for economic activity, a framework that would release dormant creative forces at home, repatriate local capital from abroad, and attract new private foreign investments. Technical assistance to plan and enact this framework

will have to come first. (Latin America is desperately in need of investment capital. Yet according to "Survey of Current Business" of the U.S. Department of Commerce, by the end of 1956 no less than \$560 million had been invested by Latin Americans in U.S. industry; this figure does not include indirect investments through Swiss or British firms. Lack of capital is not, as many think, the cause of underdevelopment; rather, it is the consequence.)

Second in importance is the reduction of American import restrictions. The developing countries should be given better opportunities to earn some of the dollars they need for investment purposes. They should be given reasonable security that efforts to create a market for their products in America, and expenditure for that purpose, will not be lost through the use of escape clauses in trade agreements. Part of the money the taxpayers save in foreign development aid could be used by them to give some relief to American farmers and manufacturers who suffer hardship through increased imports.

One cannot expect immediate results from policies based on these principles. It might be years before the improved investment climate resulting from their implementation will attract an amount of private capital sufficient to insure a satisfactory rate of economic growth. In the meantime, there may be a drop in investment activities. To prevent this drop from becoming extreme, the present narrow limits of credit worthiness of the underdeveloped countries could be extended with Government guarantees for private investments (as practiced under existing programs) and Government guarantees for the obligations of international lending institutions (as enjoyed by the International Bank for Reconstruction and Development bondholders). One should, however, be under no illusion as to what can be accomplished by these methods alone. The space between political "no private funds obtainable" and commercial "reasonable prospects of repayment" loans is a very narrow one (official IBRD lending policies).

A program based on the above principles may not be acceptable to politicians in underdeveloped countries. Soft loans and grants—with the use of the proceeds left to their discretion—serve their purposes better. They have helped them to extend their power and influence in the past. They promise to do so in the future. On the other hand, the establishment of the legal, institutional, and moral foundations on which a modern industry can be built may well have the contrary effect.

Governments will object on the ground that the policies recommended to them are of Western inspiration. They will not want to readmit under the guise of assistance what they have only recently thrown off. In this case one can only say that it is impossible to have the best of two worlds. Who closes his door to the spirit of the West must go without the material fruits of its civilization. Roepke puts his opinion on economic development in the new countries in the following words: "Modern industry of a higher level," he says, "will by its very nature be limited to the parts of the world where a man, who says 'tomorrow,' means the next day and not a vague future prospect."<sup>1</sup>

It is obviously impossible to help somebody against his own will. If the forms of development aid suggested above are refused, the West will have to resign itself to the fact. It is not America, not Europe, but the underdeveloped countries who stand to lose most. Under no circumstances should the old foreign-aid policies be continued. Sums of money offered from one government to another on a do-with-it-what-you-like basis offer no lasting cure for economic ills. They only strengthen the position of governments and weaken the position and the rights of the individuals in the recipient countries. The resulting inequalities may be of little concern to America. What the United States cannot remain indifferent to, however, is the emergence from such conditions of totalitarian regimes, dependent on Russia for support and inspiration.

Earlier in this essay I mentioned a discussion on the degree of economic development reached by Russia. Somebody objected on that occasion to my calling Russia "underdeveloped." I said that if the standards for measuring economic development were muscular strength, if they were the capacity to throw one's weight around and to threaten one's neighbors, then indeed Russia would be the most highly developed country in the world. May I add in conclusion: If other countries want the same kind of development, that is their own business. There is nothing we can do to prevent it. But why on earth should we have to pay for it?

The Russian challenge in the field of economic development cannot be met with equal or greater aid of the same type. It requires a new approach.

<sup>1</sup> "Unterentwickelte Länder," *Ordo*, 1953, p. 88.

ARTICLE BY JAMES S. KEMPER

Chairman HAYDEN. Are there any questions?

We thank you for your appearance.

Mr. HARNISCHFEGGER. You are welcome.

Senator DWORSHAK. Mr. Chairman, before the committee, recesses, I would like to have permission to insert in the record at this point a short article entitled "Foreign Aid Is Breeding Inflation," written by James S. Kemper, of Chicago, formerly U.S. Ambassador to Brazil.

Chairman HAYDEN. That may be done.

(The article referred to follows:)

#### FOREIGN AID IS BREEDING INFLATION, KEMPER SAYS

(By James S. Kemper)

The foreign-aid program as it now is set up adds to the inflationary pressures in the United States; it spends money we don't have to waste, and it is not making good friends for the United States.

As my wise Scotch grandfather often said, "Bad loans never make good friends." This is just as true between nations as between individuals.

Inflation is a deadly threat, and it should be controlled now. It destroys business because it forces a businessman to abandon the sound principles which should govern decisions, in favor of short-term measures designed to preserve as much as possible of his financial strength. Worse, it destroys the savings of our people.

When a man lives a thrifty life and saves his money for his old age and dependents, he is entitled to expect that the dollar he saves will buy approximately an equal value at the time he needs it. To save a dollar that will buy 2 bushels of potatoes at the time it is saved and then find that it will buy only 1 bushel of potatoes at the time it is used, is a cruel confiscation.

Not only does inflation destroy the savings our people have, but it destroys the will and desire to save. Personal savings are the very basis of our private enterprise system and the private enterprise system is the basis of a free society.

I say that foreign aid is spending money we "haven't got." That is obvious because, with taxes at top levels, we have had deficits in most years of this generation and we are facing new deficits under this year's program. Deficits mean that our Government must issue bonds. These are a lien on the present property and future earnings of our people.

You can't put a debt against people without automatically reducing the value of what they have. Since money is the measure of our property, each deficit is a reduction in the value of our money.

If our foreign-aid disbursements had been made with greater care and perspicacity there would have been no necessity to raise the debt limit. The corollary to this would have been a reduction in the taxes already overburdening the American taxpayer.

Some of our foreign aid goes to governments which actually are not friendly and in some instances are under communistic domination. Some of it is used to finance nationalization of business enterprises in friendly countries. Those countries won't thank us in the future for our hand in these projects. As we contribute to their socialization, we are guilty of assisting in their destruction.

According to T. Coleman Andrews, former Internal Revenue Commissioner, in 1967 it took an income of \$4,806 to match in purchasing power a 1939 income of \$2,000. It took an income of \$13,004 to match a 1939 income of \$5,000 and it took an income of \$30,971 to match a 1939 income of \$10,000. So, in less than 20 years we have seen the real value of our incomes cut in half.

The effect of foreign aid in countries that get it may be just as bad and inflationary for them as it is for us.

Foreign aid is justifiable as a temporary measure but no country can maintain its strength by gifts from without. We are undermining the morale of the leaders who otherwise would develop in every country with the capacity for working out their own difficulties and problems.

Much of our foreign aid has gone into the building of factories which compete with American industry. Our living standards and our wages provide markets which exist nowhere else. With the machinery we have given them and their low wages, other countries undersell us in our market, in foreign markets, and American workers lose their jobs.

Hundreds of American plants are closed because of foreign competition our foreign aid programs have financed. In order to meet this competition, many American manufacturers have found it necessary to establish foreign manufacturing subsidiaries. Automatically, this helps the economy of the countries in which the plant is located but results in a loss of employment here and a reduction in taxable income.

European countries are doing very well on their own these days. We have a great future in the Western Hemisphere. We have reliable friends in this Hemisphere. If we have money to spare, we well could use more of it in this area where it will produce results that will help us both in national security and in our business.

Much has been said about aid to underdeveloped countries. We can't possibly change the habits and traditions of a foreign country until the people there are ready for it and want it.

There is plenty of money for investment in a country that will support the instrumentalities of development provided those countries can produce stable governments which will respect property rights and obligations. That respect cannot be created by our gifts, and until it comes from within the people, a foreign country will continue to be underdeveloped no matter what we do.

The American people always have been generous and I hope they continue to be. The United States has much to do to maintain its vitality and to develop its economy in a way that will preserve personal and economic freedom in this country.

If we are able to maintain our leadership and our ability to assist in the protection of the free part of the world, we must first control inflation, reduce Government waste and bureaucracy, reduce our debt and our taxes, and solve our domestic problems.

Foreign aid is one of the first places to start. We must reduce our foreign aid expenditures now, and eliminate them within a comparatively short time. Otherwise this expenditure of our savings will hasten the day when our own liberties and our free enterprise system will be threatened, and perhaps ultimately be exchanged for socialism or worse.

#### COMMITTEE RECESS

Senator ELLENDER. Before we close, Mr. Chairman, I would like to call to the attention of the committee, that our former colleague, Senator Malone, of Nevada, has been an interested spectator today, and I am glad to have him with us.

Mr. MALONE. Thank you.

Chairman HAYDEN. We are glad to see you, Senator.

The committee will stand in recess now until 10:30 tomorrow morning.

(Thereupon, at 12:10 p.m., Thursday, August 20, 1959, the committee was recessed, to reconvene at 10:30 a.m., Friday, August 21, 1959.)



# MUTUAL SECURITY APPROPRIATIONS FOR 1960

FRIDAY, AUGUST 21, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Ellender, McGee, Young, Dworshak, and Allott.

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA

## STATEMENT OF HENRY C. KOCH, MEMBER, DEPARTMENT OF INTERNATIONAL AFFAIRS

### GENERAL STATEMENT

Chairman HAYDEN. The committee will please come to order.

The first witness is Dr. Henry C. Koch, of the National Council of Churches.

On account of the large number of witnesses we will have a 5-minute time limit. If you have a formal statement it will be printed in the record.

Mr. KOCH. Mr. Chairman, in view of that fact, I wonder if I might ask the privilege to have this statement printed in the committee hearing record, and then I will summarize it and make a few comments.

Chairman HAYDEN. That will be agreeable.

Mr. KOCH. I think we can save time that way.

My name is Henry C. Koch. I am a member of the Department of International Affairs of the National Council of Churches of Christ in the United States of America.

Foreign aid is not a strange subject for people of the churches. The Christian churches have over a long period of time been active in missionary work which has had to do with giving aid to people, the direction of education, health, and all the other areas of human need.

As a church we have a missionary spirit which identifies itself with the needs of people regardless of where they are, who they are.

We are concerned about one world, not because we are primarily afraid of what may happen to a world that is not a one world from the standpoint of the security and peace of nations, but, rather, because we believe that as a church we have a responsibility to cultivate the idea of the oneness of the human race.

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It seems to me that this is paramount to what we are trying to say in our statement. We are concerned about the people who are hungry and cold and in need; whose areas are underdeveloped because of the fact that we feel ourselves as one of that human race.

Now, we think we know something about this whole world because we have been active in it. We have some of the know-how in administering funds in terms of not merely relief but rather in terms of aid, to help people to rehabilitate themselves, and to strengthen their economic, political, social, moral conditions in the world.

Now, we feel that this is an extremely important thing at the present time, probably more so than ever before, because of the fact that the world has made some great technical advances.

We in this country are an extremely wealthy Nation—not only wealthy in the goods, but wealthy in terms of know-how and in terms of ideals and principles.

These we believe we ought to share.

#### SUPPORT FOR FOREIGN AID FUNDS

What we are saying in our statement is that we think that the mutual security program ought by no means to decrease its appropriations for foreign aid in the area of technical assistance, in the Development Loan Fund, and in those areas that have to do with the building up of the social and economic structure of people to give them a right to be independent and self-determined people.

We have a basis set forth in our statement which I believe is basic to our premise from which we start: the interdependence of humanity under our Creator, our stewardship as a wealthy Nation in a world of poverty, knowledge of what happens to men and nations as they do or do not have a real concern for others in need, the importance of mutual aid in sustaining human life which we hold sacred and of primary value, and the fact that mutual aid programs go beyond materialities to moral and spiritual dimensions and human relations.

Thank you, Mr. Chairman.

#### PREPARED STATEMENT

Chairman HAYDEN. Your statement will be included in full in the record.

Mr. KOCH. Thank you, sir.

(The statement referred to follows:)

My name is Henry C. Koch. I am a member of the Department of International Affairs of the National Council of the Churches of Christ in the United States of America. By your courtesy, I am pleased to be able to testify here on behalf of the National Council of Churches on the basis of its official policies and by authorization of its appropriate officers.

The National Council of Churches is composed of 33 Protestant and Eastern Orthodox denominations with a total of over 38 million members.

I do not presume to speak for every individual member, but I am presenting the official position of the National Council of Churches on matters related to appropriations for the mutual security program. These views have been adopted after careful study, discussion, and deliberation by our policymaking bodies composed of official representatives of the denominations constituent to the council.

#### GENERAL POSITION OF THE NATIONAL COUNCIL OF CHURCHES ON MUTUAL AID

The National Council of Churches, on the basis of Christian concern and in keeping with actions of many of our constituent bodies, holds it to be the moral

responsibility of the United States to take all appropriate action within its capacity and resources to promote justice, freedom, and peace among the peoples of the world, including our own—and especially among the newly independent, emerging, and developing nations. To this end, we support and actively encourage the improvement and expansion of economic and technical assistance essential to the improvement of conditions of life in the underdeveloped areas of the world, looking toward the creation of free, responsible, and stable societies.

#### THE CHURCHES' EXPERIENCE AND COMPETENCE THROUGH MISSIONS AND SERVICE

Our churches have had a deep and increasing interest in programs of overseas aid for more than 150 years. Through worldwide mission work, they pioneered in technical and economic assistance in programs of education, literacy, literature, medicine, public health, agriculture, industry, mass communications, and leadership training. Through our department of church world service, our churches have given aid to people in need around the world, distributed surplus food, provided relief to disaster areas, and pioneered in village and community projects. In 1958, such aid totaled in excess of \$42 million. Other units of the council, such as the United Christian Youth Movement, the United Student Christian Council, and United Church Women, also carry on projects and aid around the world.

Out of such long, fruitful, and widespread experience, the churches have concluded that there is an urgent, continuing need not only for voluntary programs, but for public programs of mutual aid of increasing magnitude, expanded to the extent of our national capabilities and the absorptive capacities of the underdeveloped areas.

#### RELIGIOUS AND MORAL FOUNDATIONS FOR CONSTRUCTIVE FOREIGN AID

The competence and the responsibility of the churches to delineate the religious—the moral and ethical—truths which underlie public issues is well established. This function has developed out of our religious traditions and heritage beginning with the prophets of old. On these grounds, we primarily base our concern and support for constructive mutual aid. We are dealing ultimately with life and death—the nature of man and his destiny; and these are moral and religious questions which rest on theology and religious faith.

While having a basic concern for the religious and moral issues, the churches recognize some of the so-called practical arguments for foreign aid. Such arguments—which also involve moral values and issues—are those of maintaining political freedom and security, military necessity, and in fact that such aid is good business, not only for others but for ourselves.

More basic, we believe, are certain religious and moral considerations which would seem to compel us as a Nation to accept greater responsibility in constructive foreign-aid programs: (1) The interdependence of humanity under God, our Creator, (2) our stewardship as a wealthy Nation in a world of poverty, (3) knowledge of what happens to men and nations as they do or do not have a real concern for others in need, (4) the importance of mutual aid in sustaining human life which we hold sacred and of primary value, and (5) the fact that mutual aid programs go beyond material realities to moral and spiritual dimensions in human relations.

#### MORAL CONCERNS AND NATIONAL SELF-INTEREST COMPLEMENT EACH OTHER IN CONSTRUCTIVE AID

In constructive foreign aid, the practical and the moral are not in conflict, but in agreement; realism and Christian idealism meet in accord; self-interest and altruism are joined. From the perspective of religious ethics and morality, we believe that our national self-interest at this moment in history is best fulfilled in recognizing that our destiny is inescapably bound up with the destiny of the world.

#### GUIDING PRINCIPLES RELATED TO APPROPRIATIONS FOR MUTUAL SECURITY PROGRAM, 1960

Based on our experience in overseas service and our moral concerns in international affairs, the churches have evolved through the years principles and policies which we believe are essential for making our Government's mutual aid programs as effective as possible:



(1) As to magnitude, it is urgent not to cut public or private economic and technical aid and assistance programs, but rather to strengthen and expand them toward the full extent of our national capabilities and the absorptive capacities and needs of cooperating peoples and nations.

(2) Larger sums of capital should be made available for economic development.

(3) A long-term basis is necessary in financing, programing, and administering mutual aid.

(4) Greater emphasis should be placed on the use of international agencies such as regional organizations and the United Nations.

Although all parts of our foreign policy are interrelated, programs of technical and economic aid should be planned and administered in relation primarily not to political and military considerations but to economic and social needs and opportunities. Therefore, the churches support efforts to separate military aid and defense support programs from economic development and technical cooperation programs.

#### **SPECIFIC CONCERN FOR APPROPRIATIONS FOR THE DEVELOPMENT LOAN FUND AND TECHNICAL COOPERATION**

Of particular concern at this time is the appropriation for the Development Loan Fund and technical cooperation. In terms of the above guiding principles, these two programs form the heart of the type of mutual aid program for which the churches plead. It is to be hoped that this committee will recommend and the Senate approve the appropriation of the full amount authorized for these two programs for fiscal year 1960.

#### **OUR NATION MUST DEVELOP ITS ROLE OF RESPONSIBLE LEADERSHIP IN THE WORLD**

Churchmen realize that a primary issue of our time is whether the United States will recognize and assume its full role as the responsible leader among partners of the free world. The National Council of Churches and our constituent communions are giving strong support to expanded programs of mutual aid, especially in economic development and technical cooperation. The Mutual Security Act of 1959, as recently approved by Congress and signed by the President, would seem to provide some helpful guidelines and suggest steps toward a more responsible, more adequate mutual assistance program on the part of our Government.

#### **THE PEOPLE ARE READY TO MOVE**

The people of this country are ready, we believe, to respond more fully to courageous leadership by the administration and by the Congress for a more responsible role by our Nation in world leadership in moral, economic, and social terms. Many reliable polls of public opinion show this to be true, contrary to any highly organized letterwriting and pressure campaigns.

We hold above all that accelerated military responses to the challenges of this new era of human history are not enough; that there must be expanding, improved programs for promoting economic, political, and social well-being among the peoples of the world.

#### **AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS**

### **STATEMENT OF HYMAN H. BOOKBINDER, LEGISLATIVE REPRESENTATIVE**

#### **GENERAL STATEMENT**

Chairman HAYDEN. Mr. Hyman H. Bookbinder.

Mr. BOOKBINDER. Mr. Chairman, I will do the same thing, just briefly highlight my statement and ask that the full text be incorporated.

My name is Hyman H. Bookbinder, legislative representative for the AFL-CIO and I am accompanied by Mr. Bert Seidman, economist for the AFL-CIO, who has studied and spent many years studying this question in great detail.

We have on numerous occasions both before your committee and the Committee on Foreign Relations, stated our basic position.

I don't think there is any great need to elaborate in detail. We have from the very beginning of the Marshall plan given this program consistent support. It is a support which has not always come easily, frankly, because our members, like many other Americans, find it sometimes difficult to understand our great enthusiastic support for a program of mutual security for nations abroad, when this Government and this Congress is frequently failing to do appropriate things for the people at home.

But we have undertaken the responsibility, Mr. Chairman, of keeping our people as informed as possible about our obligations abroad, obligations in the international scene which cannot be forgotten or ignored because of our failures on the domestic scene.

Each of these programs, domestic and foreign, rests on its own merits, its own needs, and we are going to continue fighting for both programs.

Now, I want to make one other observation, Mr. Chairman.

#### CORRUPTION IN FOREIGN AID PROGRAM

We have just gone through another legislative battle on an issue which with some respects is analogous to this one. We hear a lot about errors, mistakes of all kinds, and perhaps even corrupt things that are happening in the foreign aid program, and because of that some would urge that therefore the program be scrapped or be done away with in large part.

In the same way we have heard in recent years about knaves who have come into the labor movement and because there are some crooks, because there are some people who make mistakes, that therefore the labor movement should be punished.

In both cases we are saying, to coin the phrase, "throw the baby out with the bath." Do something about the maladministration in mutual security, look for ways to improve it as we are looking for ways to improve the labor movement and its functioning.

But let us, therefore, not forget the basic purpose of the mutual security program as we hope the country will not forget the basic purpose of the labor movement.

In trying to correct the abuses in each of these, let us remember that the basic purpose must be protected.

Now, I would like to comment very briefly on two specific things in the program. We have directly told you that we believe the economic aspect and technical assistance aspect of the programs are of great importance.

We continue to believe that.

#### DRAPER COMMITTEE REPORT

While we do not have any specific competence in the military area, we respect the findings of a group like the Draper Committee, which only yesterday issued its very impressive report, and we are disturbed about the implications of that.

We remind you, though, that the Draper Committee has also urged an increase in the economic activity program and we hope you can

restore the funds cut by the House so that the full authorization at least be given recognition in appropriations.

Now, we have endorsed World Refugee Year and we are delighted that the Senate accepted the Humphrey amendment which wrote into the mutual security program this minimal recognition by a \$10 million authorization.

The House, we are glad to say, rejected its own Appropriations Committee recommendation that it not be allowed.

It is now in the appropriation bill as passed by the House and we hope that this last hurdle on the Senate appropriations side is properly managed so that we will have in this final act, as signed by the President, a specific authorization and appropriation of funds to meet our obligations in this area.

I think I will let the statement stand on the other aspects of the program.

Thank you very much.

#### PREPARED STATEMENT

Chairman HAYDEN. We thank you for your appearance. Your statement in full will be printed in the record at this point.

(The statement referred to follows:)

I appreciate the opportunity to appear before your committee to state the views of the American Federation of Labor and Congress of Industrial Organizations on the appropriations for the mutual security program for fiscal year 1960.

Ever since the Marshall plan was first enacted, the American labor movement has consistently supported the mutual security program. Although its specific objectives and its emphasis have changed over the years, the basic purpose of the mutual security program has remained the same: the strengthening of friendly and uncommitted nations of the world so that they might more effectively resist Communist expansion. The less than 1 percent of our national product which we have been devoting to this program in recent years constitutes the best investment we could possibly make in the preservation of peace and the democratic way of life.

Failure of the administration and of the Congress to appropriate adequate funds for needed domestic programs has made it difficult for us to maintain among all of our members the enthusiastic support for the mutual security program which it deserves, but we cannot permit disappointment in the domestic area to blind us to the urgencies of the international situation. We economize in mutual security at the risk of global war and/or Communist expansionism.

We respectfully urge that your committee recommend appropriation of the full \$3,558 million authorized by the Congress. It is the rockbottom minimum needed to permit even a reasonably effective mutual security program during the remainder of this fiscal year.

We are greatly concerned over the reduction made by the House of Representatives below the authorized amounts and we earnestly request that your committee recommend full restoration of these amounts. We would particularly request appropriation of the full amounts authorized for the development loan and the technical cooperation program.

#### DEVELOPMENT LOAN FUND

The authorization bill as reported out by the Senate Foreign Relations Committee provided \$1 billion a year for 5 years for the DLF. If this amount had actually been made available, it would have met at least partially two important requirements the DLF cannot fulfill on the present basis. First, it would have placed the Fund on a more nearly adequate financial basis, although you will recall that Senator Fulbright, chairman of the Senate Foreign Relations

Committee, had recommended \$1.5 billion a year. Thus even the \$1 billion a year recommended by the committee was a minimal amount. Second, the 5-year authorization, rather than the year-to-year financing which has so badly hamstrung the DLF, would have made possible long-term planning in the entire program.

Unfortunately, in the bill as finally passed, the 5-year proposal was reduced to a 2-year authorization; instead of a \$5 billion program, it was reduced to a \$1,800 million program, with a limit of \$700 million for the present fiscal year. This is far less than the amount needed for projects essential to the economic development of less developed countries for which applications have long been pending. Any further reductions from this pitifully inadequate amount can only do serious injury to this program which could bring substantial benefits to millions of the most underprivileged people in the world.

Moreover, we can be sure that to the extent that we fail to do what can reasonably be expected of us in helping economic growth and improvement of living conditions in less developed nations, these countries will increasingly look to the Soviet Union, as they have already, for such assistance. Economic ties between newly independent nations and the U.S.S.R. might eventually be transformed into political bonds as well, to the great detriment of our own national interest.

The \$700 million the Congress has authorized for the DLF for 1960 is not nearly enough. This amount must not be further reduced. We therefore ask that the full \$700 million authorized for the DLF be appropriated.

#### TECHNICAL COOPERATION

We are dismayed that the \$179 million authorized for the relatively inexpensive but extremely beneficial technical cooperation program has been reduced to only \$150 million by the House of Representatives. It is noteworthy that the \$179 million recommended by the President for technical cooperation was not altered at any step in the authorization procedure in either House. This properly reflected the importance of this program which in the finest sense embodies the principle of people-to-people cooperation. We therefore urge this committee to recommend that the \$179 million authorized for technical cooperation be made available for this most worthwhile and successful program.

#### SPECIAL ASSISTANCE

The administration requested \$271.8 million for special assistance and the amount authorized by the Congress was \$247.5 million. This was a substantial cut in this very important phase of the mutual security program. Since not all countries are economically capable of repaying loans, the grant aid provided under special assistance continues to be essential for meeting crucial economic requirements in countries which do not receive defense support funds and are unable to handle DLF loans. Special assistance funds are also used in small amounts for such key programs as the European Productivity Agency, the scientific and manpower program, and the NATO science program.

The House of Representatives has slashed the appropriation for special assistance to only \$200 million, 27 percent below the administration's estimate of requirements and 20 percent below the amount authorized by the Congress. Such a deep cut in the funds for special assistance will badly cripple this essential part of the mutual security program. We ask that the full \$247.5 million authorized for special assistance be appropriated.

#### WORLD REFUGEE YEAR

The Senate deserves special commendation for adoption of the Humphrey amendment to the Mutual Security Act which authorized the expenditure of \$10 million for special activities in connection with World Refugee Year. This action was endorsed by the House when it rejected the recommendation of its Appropriation Committee to deny these funds.

We urge the Senate to retain this authorization for World Refugee Year. It is, unfortunately, the only action taken so far by the United States in implementation of this great United Nations project, a project sponsored and approved by the United States.

## FRIENDS COMMITTEE ON NATIONAL LEGISLATION

## STATEMENT OF EDWARD F. SNYDER, REPRESENTATIVE

## GENERAL STATEMENT

Chairman HAYDEN. Mr. Edward F. Snyder, legislative secretary of the Friends Committee on National Legislation.

Mr. SNYDER. Mr. Chairman, with your permission, I would like to highlight this statement and not read it in its entirety.

Chairman HAYDEN. You may do that.

Mr. SNYDER. My name is Edward Snyder. I am legislative secretary of the Friends Committee on National Legislation.

I am appearing here today to urge this committee to appropriate the full amount authorized for the Development Loan Fund, the technical assistance programs of the United States, the United Nations, and the Organization of American States, the U.N. Children's Fund, the various refugee programs, malaria eradication, community water supply development, international medical research, ocean freight on shipments of U.S. voluntary nonprofit relief agencies, and related non-military programs.

Our committee continues to question the advisability of the military assistance program especially in those instances where the grip of dictators is fastened more firmly on the people of their country with U.S. aid.

We feel that the motives behind the mutual security program, although they are intangible and diverse, may, in the long run, be the determining factor in deciding whether the program is going to be successful.

Are we going to be using this program as a tool in the cold war, or are we going to be making common cause with the people around the world who are seeking a better life?

We feel that the nonmilitary programs should be considerably larger in view of our national wealth and our corresponding national responsibilities. We would especially hope that this committee will appropriate the full amount authorized for the Development Loan Fund and especially also for the technical assistance program.

We would like to put in a special word for the United Nations technical assistance program which is a relatively small program, but which is extremely important.

We feel that dollars spent through this U.N. program are especially important because they are matched with the contributions of other countries and technicians from other countries are available, thus increasing the effectiveness of U.S. assistance.

It ought to be pointed out that the United States stands only 17th among the contributors to the U.N. technical assistance program when it is looked at in view of national income rather than in the pure dollar amounts.

We would like to suggest two amendments to the mutual security bill:

## STUDIES ON ARMS CONTROL AND DISARMAMENT

One would be an amendment—I believe Senator Humphrey testified on this matter 2 days ago, or 3 days ago—to earmark \$500,000 in this bill for studies on arms control and disarmament. This matter has been before this committee through the State Department appropria-

tions, Defense Department appropriations, supplemental appropriations bill.

The reason we would suggest it here is that on the floor Senator Chavez suggested this might be an appropriate place for it.

It is rather difficult for those of us who are outside the Government to understand the reluctance which the Congress apparently feels about appropriating this modest sum for studies which may possibly help to ease world tensions and assist our negotiators at Geneva.

So we would very much hope that some way would be found to set aside \$500,000 somewhere in this bill for these studies.

#### TRANSFERRING NUCLEAR WEAPONS TO OUR ALLIES

We would also, secondly, like to urge your consideration of an amendment to prohibit the use of funds from this bill, from the military assistance part of this bill, from being used to implement the agreements which begin the process of transferring nuclear weapons to our allies. Agreements have been approved under authorizing legislation enacted last year, but the funds have apparently not yet been used.

It is a little unclear as to where the money is going to come from to implement these agreements.

Congressman Passman said on the House floor that it was not going to come from the mutual security program.

We are suggesting it because it would seem likely, of all of the programs which Congress has, that this might be the place where these funds would be found.

We feel that this is an extremely dangerous step we are taking with almost no public discussion of what is involved.

These nuclear weapons are not like conventional weapons. These hearings which Congressman Chet Holifield had earlier this summer indicated the tremendous power of these weapons. He pointed out that some 70 cities and several hundred military installations would be hit in this country and he said that they would be using bombs of from 1 to 10 megatons in size. All the bombs dropped by all the forces during all of World War II equaled only 2.6 megatons.

Chairman HAYDEN. I regret to say your time is up.

Mr. SNYDER. I thank you very much. I hope you will consider this, Mr. Chairman.

#### JOINT COMMITTEE ON ATOMIC ENERGY HEARINGS

Would it be possible to file as part of our statement the statement submitted by Clarence Pickett, when he testified on this subject before the Joint Committee on Atomic Energy in order to fill out the record and to indicate our views a little bit more clearly?

Chairman HAYDEN. Was that record printed?

Mr. SNYDER. Yes, it was.

Chairman HAYDEN. There is a rule that where it was once printed at Government expense, it cannot be reprinted.

Mr. SNYDER. I see.

May I then call the committee's attention to the fact that those were hearings held before the Joint Committee on Atomic Energy on July 2.

Chairman HAYDEN. Thank you.

You might indicate where they are, please.  
(The statement referred to follows:)

Mr. Chairman and members of the committee, my name is Edward F. Snyder. I am legislative secretary of the Friends Committee on National Legislation, for whom I am appearing today. The Friends Committee on National Legislation is concerned with many aspects of foreign and domestic policy, but does not claim to speak for all Friends, because each Friend cherishes the right to his own religious and political opinions.

I appear here today to urge this committee to appropriate the full amount authorized for the Development Loan Fund, the technical assistance programs of the United States, United Nations, and Organization of American States, the U.N. Children's Fund, refugee programs, malaria eradication, community water supply development, international medical research, ocean freight on shipments of U.S. voluntary nonprofit relief agencies and related nonmilitary programs.

We continue to question the advisability of the military assistance program especially where the grip of dictators is fastened more firmly on the people of their country with U.S. aid. Studies by the Special Senate Committee To Study the Foreign Aid Program have suggested such military aid can endanger civilian control, particularly in new and fragile democracies, and can divert energy and funds from desperately needed economic development programs. We need a superhuman effort toward world disarmament under law and a release of the mighty energies now going into armaments into the constructive channels of helping others help themselves overcome hunger and disease, illiteracy and poverty.

#### MOTIVE BEHIND PROGRAM IS IMPORTANT

The attitudes and motives behind the nonmilitary portions of the mutual security bill are intangible and diverse. In the long run, however, the success or failure of much that we seek to achieve through these constructive programs may depend on whether we regard them primarily as tools in the cold war or as a part of a program of enlightened self-interest infused with humanitarian concern for all men everywhere.

It is sometimes difficult for those with wealth to share with others less fortunate in a true spirit of friendship and good will. Will we be inhabitants of "the mansion on the hill," in the words of Justice William O. Douglas, who may dispense largesse in a spirit of ostentatious charity or use their wealth to maintain a position of power and prestige? Or can we share what we have in a spirit of humility and cooperation, making common cause with the world's people as they seek to achieve a better life?

#### NONMILITARY PROGRAMS SHOULD BE LARGER

Much is required of those to whom much is given. Per capita income in this country is well over \$2,000 a year. It is less than \$100 a year in many newly developing countries. Yet we as a nation are putting considerably less than 1 percent of our national income a year into international economic development programs while some 10 percent goes into military programs. The hungry, the sick, and destitute in these underdeveloped countries must find it hard to believe that the world's wealthiest nation may suffer poverty and possible bankruptcy, as some have suggested, if the United States should expand these economic development programs or even keep them at their present level.

#### FULL APPROPRIATION FOR DEVELOPMENT LOAN FUND AND U.S. TECHNICAL ASSISTANCE

In this spirit we especially urge your support of the full appropriation of \$700 million for the Development Loan Fund, the heart of the economic assistance program, for fiscal year 1960. We hope this committee and the Senate will restore the \$150 million reduction made by the House and include \$500 million for fiscal year 1961 as requested by the President to facilitate longer range planning for this program.

We also strongly urge this committee to restore the \$29.5 million cut in the U.S. technical assistance funds and to eliminate the prohibitions inserted by the House against the use of mutual security funds for certain educational, health, and exchange programs.

## FULL SUPPORT FOR U.N. TECHNICAL ASSISTANCE PROGRAM

We would also like to urge your special consideration of the United Nations technical assistance program. This small but significant program deserves all the support the United States can give it. Dollar for dollar, more is accomplished through U.N. programs since U.S. contributions are matched by those of other countries and technicians from many countries are available.

The United States played a large role in supporting the U.N. expanded technical assistance program during its formative years, and still contributes 40 percent of the total program. Unfortunately, this year for the first time it is estimated the program will decrease in size due to the drop from 45 percent in 1958 to 40 percent in 1959 in the U.S. percentage contribution.

In relation to national income, the United States stands only 17th among contributing nations in supporting the U.N. expanded technical assistance program in 1959. The five leading countries are Denmark, Netherlands, Norway, Sweden, and Canada. Among the nations which are also ahead of the United States in relation to national income are Venezuela, United Kingdom, Argentina, France, Pakistan, and the United Arab Republic.

## TWO AMENDMENTS SUGGESTED

We also wish to suggest two amendments to the mutual security bill:

1. We urge an amendment to earmark \$500,000 of the funds appropriated in this bill for the purposes of disarmament studies. This subject has a rather involved history. Last year the Senate Subcommittee on Disarmament recommended increased studies in the executive branch on arms control and disarmament. This year the Department of State requested some \$500,000 for this purpose. Congress did not approve the request in the State Department budget apparently on the ground these would duplicate technical studies already underway in the Department of Defense, although Defense officials said there was no duplication. Senator Humphrey then sought an amendment to the Department of Defense appropriation for this purpose on July 14. He was advised on the floor by members of the Appropriations Committee, namely Senators Saltonstall and Chavez, that the supplemental appropriation bill might be a better place for such an item than the Defense appropriation bill. Senator Humphrey testified in support of this proposal during hearings on the supplemental appropriation bill, but this committee did not see fit to include this item in that bill.

On the floor on July 14 Senator Chavez also suggested that the mutual security appropriation might be a proper place for this item. We are therefore urging this committee now to earmark \$500,000 of the mutual security funds for studies on arms control and disarmament as requested by the State Department.

It is difficult for those of us outside of Government to understand the reluctance the Congress feels in appropriating this relatively small sum which the State Department has requested for these studies. Congress has appropriated \$39.2 billion for the Department of Defense; there is an authorization of \$1.4 billion for foreign military assistance. It is said we are "buying time" with our military spending in order to work out solutions for a peaceful world. Yet there seems to be little disposition to approve this modest sum for studies which may help to move us nearer the goal of world peace.

Senator Humphrey has pointed out that the detailed findings from such studies would be valuable to American negotiators on disarmament.

We urge the committee to approve this sum for this reason and to indicate to the American people and the world that the Congress is willing to support every reasonable effort to achieve world peace.

2. We urge an amendment to prohibit funds from this bill from being used to supply other countries with parts of nuclear weapons systems or training in the use of nuclear weapons.

An amendment to this effect was offered by Charles E. Bennett, of Florida, when this bill was before the House on July 28, that amendment was defeated 137 to 61. When one compares the 61 votes when less than half the House voted with the 12 votes against the enabling legislation last year, it is evident there is a growing concern in Congress over the policy of giving nuclear weapons know-how even to our closest military allies.

It should be made clear that so far Congress has only authorized the transfer of equipment to attach the nuclear weapons to the plane or missile and information on use of the weapons. To date agreements to transfer such nuclear



weapons information and material have been approved with West Germany, Turkey, Greece, Netherlands, Canada, and Great Britain. Congress has not authorized transfer of the nuclear warhead. But a recent statement by Secretary of Defense McElroy in Ottawa on August 11 and the form of the original legislation requested by the administration last year indicate an ultimate desire to transfer control of the warheads as well to other countries. There has been some question as to where the funds to implement these agreements will come from. We urge this amendment to the mutual security bill since the foreign military assistance program would appear to be the most likely place from which to obtain implementing funds.

We believe there are at least five reasons why no funds should be made available to train other nations to use nuclear weapons or to transfer nuclear weapons systems to them:

1. Due to the method by which these agreements were approved, there was no opportunity for the Senate to vote on them. They lay before Congress for 60 days and then automatically became effective since both Houses of Congress did not disapprove them by majority vote. This was the procedure outlined in the authorizing legislation. If this committee would approve an amendment prohibiting the use of military assistance funds for this purpose, the Senate would for the first time have an adequate opportunity to debate this extremely important subject with regard to these nations.

2. These transfers are inconsistent with efforts at Geneva to end nuclear weapons tests and restrict the number of nuclear powers in the world.

3. They commit the United States more firmly against "denuclearization" or "disengagement" in Central Europe and the Middle East.

4. They will tend to create more nuclear powers and thus increase the danger of accidental or unintentional nuclear war. It is a great mistake to equate nuclear and conventional weapons. The hearings held before Congressman Chet Hollifield's Subcommittee on Radiation this summer on the effects of a nuclear war hypothesized a "limited" attack on the United States.

It was assumed that bombs of 1 to 10 megatons in size would be dropped on 70 U.S. cities and 154 military installations. In attempting to comprehend the devastation which would result, it is well to remember that the explosive force of all the bombs dropped by all belligerents during all of World War II equaled only 2.6 megatons. One megaton equals the explosive force of 1 million tons of TNT.

5. By providing nuclear weapons information and material to its allies, the United States will bring great pressure on the Soviet Union to do likewise.

We believe that if the military assistance program is used to begin the process of spreading nuclear weapons more and more widely around the world, thus greatly increasing the danger of nuclear war by accident, mistake, or irrational act, we will have greatly increased our mutual insecurity rather than our mutual security.

In view of the lack of time to discuss this matter sufficiently in oral testimony, we would appreciate the inclusion in the record of these hearings of a statement made by Clarence E. Pickett for our committee when he appeared before the Joint Committee on Atomic Energy on July 2 on this matter.

In summary, we appeal to this committee to approve the full amount authorized for nonmilitary items in the mutual security program, to earmark \$500,000 for disarmament studies and not permit funds to be used to spread nuclear weapons know-how to other countries—recognizing that our Nation's God-given abundance and position of world leadership have given us an unparalleled opportunity to share with our fellow men around the world in their efforts to overcome perennial poverty, hunger, disease, and ignorance and to help build the conditions of a peaceful world.

THE AMERICAN BOOK PUBLISHERS COUNCIL AND THE AMERICAN TEXTBOOK  
PUBLISHERS INSTITUTE

STATEMENT OF BRUCE Y. BRETT, REPRESENTATIVE

GENERAL STATEMENT

Chairman HAYDEN. Mr. Bruce Brett, president of the Macmillan Co.

Mr. BRETT. Mr. Chairman, I have already given my statement to the clerk.

If I may, to save your time, I would just like to give you some excerpts from it.

Chairman HAYDEN. Yes.

Mr. BRETT. My name is Bruce Brett. I am the president of the Macmillan Co.

I am here today, however, not representing the Macmillan Co., but representing the American Book Publishers Council and the American Textbook Publishers Institute, which organizations cover pretty well all the major American book publishers.

UNAUTHORIZED REPRODUCTION OF AMERICAN BOOKS IN TAIWAN

I am here today, sir, to bring to the attention of this committee the problem of the unauthorized reproduction of American books in Taiwan.

I appreciate the committee's letting me talk to you about this problem.

Now, piracy has long been a custom on the Chinese mainland and it had been hoped that the authorities in Taiwan would do something about it. However, since 1954, it has gotten worse and worse.

I have catalogs showing over a thousand titles of books published by American book publishers and these books in turn have been taken and reprinted by photo-offset without permission of the publishers and these books are not only going into Taiwan, but they are being sold throughout the whole Far East. They are appearing in Hong Kong, they are appearing in the Philippines, and they are appearing in Japan.

Chairman HAYDEN. What representations have been made by our Government to the Government of Taiwan in regard to this?

Mr. BRETT. The book publishers as a group have made representation to the Taiwan Government. We, in turn, have been in contact with our own State Department.

Our own State Department has been in contact with the Taiwan authorities and I am very much afraid, sir, that the Taiwan authorities sort of wink at this thing.

Formosa is not a member of the Universal Copyright Convention, therefore they may do this. It is not illegal.

On the other hand, they say that they need these books because the students and so on and so forth are very poor.

Now, I bring this to the attention of the committee, sir, because I feel that this whole business affects the mutual security program for which you are appropriating, because the mutual security program is aimed at the economics of developing the Far East and the U.S. Government has authorized, has encouraged, book publishers to set up large distribution systems in the Far East.

Indeed, the U.S. Government has given tens of thousands of books away and it has spent hundreds of thousands of dollars of taxpayers' money to encourage the development of local publishing industries in such countries as Burma and the Philippines to meet acute local needs for educational and scientific and technical books.

Chairman HAYDEN. That is my understanding, that the American book publishers have been very cooperative in this matter at their own expense.

Mr. BRETT. They have.

The American book sellers and American book publishers, sir.

Chairman HAYDEN. Our Government is to pay the transportation?

Mr. BRETT. That is right.

Chairman HAYDEN. What is the other matter you wanted to bring to our attention?

Mr. BRETT. The reason I am here, sir, is that I feel that we have no redress in this whole matter.

As you know, section 503(b) of the Mutual Security Act of 1959 recognized the problem of expropriation and allows the President to suspend assistance under the act of any nation. I do not believe that the uncompensated seizure of American books with the acquiescence of the Chinese Government is expropriation in the terms of this bill, but, on the other hand, in fact, it is expropriation.

#### INSTANCES IN RUSSIA AND CHINESE MAINLAND

Chairman HAYDEN. What instances are there aside from Taiwan?

Mr. BRETT. Sir, the other two instances unhappily are Russia and the Chinese mainland.

Chairman HAYDEN. I am sorry we cannot do anything about that.

Mr. BRETT. That is right; we cannot do anything about that.

As I say, Taiwan, a friendly Government, is doing this. In my statement I cover this whole thing. I just feel that relatively simple measures by the Republic of China could quickly correct this situation with great benefit to the legitimate Chinese publishers.

Indeed, we do not want in any way to interfere with the important work of the mutual security agency nor to see the appropriation curtailed.

Nor do we believe that specific legislation or appropriation limitations are at this time necessary. We hope the committee will watch further developments and will see fit to express its concern in its report on the present bill; or in any other manner it sees fit.

Thank you, Mr. Chairman.

#### PREPARED STATEMENT

Chairman HAYDEN. We thank you for your statement, sir, and your full statement will go into the record.

Mr. BRETT. Thank you.

(The statement referred to follows:)

Mr. Chairman, my name is Bruce Y. Brett. I am a resident of New Canaan, Conn., and am president of the Macmillan Co., 60 Fifth Avenue, New York City. We are general book publishers with especially strong departments in the fields of education, science, and technology. I am here today, however, to represent not primarily my own company, but rather the American Book Publishers Council and the American Textbook Publishers Institute. These two organizations embrace almost all major book publishers in the United States, including publishers of school and college textbooks, encyclopedias, and scientific and technical books, as well as university presses, religious publishing houses, and general publishers.

I very much appreciate the committee's courtesy in allowing the book-publishing industry to lay before you very briefly a problem, closely related to the purposes of the mutual security appropriation, that has been giving us a deep and growing concern. That problem is the unauthorized reproduction of American books in very cheap photo-offset editions by publishers in Nationalist China and the widespread sale of these pirated editions throughout the Far East. This is now a very large and rapidly growing business.

Piracy of books has long been a custom on the Chinese mainland, and it had been hoped that the authorities in Taiwan would not permit its continuance. Since 1954, however, the volume of unauthorized publishing of American books has so grown in volume that the catalog of only one Formosan "publisher" contains a thousand pirated titles. The pirates claim that they are printing these books at low prices for the poor students, but we may be sure that these unscrupulous publishers are making a profit on the sale of their illegal editions, on which neither the U.S. publisher nor the authors receive a penny of royalty.

Ever since pirated editions began to appear 5 years ago, U.S. publishers have protested to Taiwan authorities and U.S. Government officials in Taiwan and in the State Department. Both sources admitted that they were aware of the practice, but pointed out that Formosa was not a member of the Universal Copyright Convention, and that there was, therefore, no legal recourse. Chinese officials pointed out that a publication could be registered in Formosa and that protection against piracy would then be insured. But we found in practice that registration is an involved and costly procedure, and that registered books are pirated with the same impunity as unregistered books.

Failing to obtain official protection, U.S. publishers then offered contracts to publishers in Formosa to translate or republish important textbooks in the English language. Favorable terms were offered, but nothing came of these proposals. Obviously it was more profitable to the publishers in Formosa to reprint without permission, protected by the sanction of their own Government.

The business of pirating in Taiwan is now at an alltime peak. A flourishing international trade has developed, with these unauthorized editions being shipped to Hong Kong, Singapore, Malaya, and wherever a Chinese community exists in the Far East. A serious threat is thus posed to normal international trade. It is, by the way, almost impossible to control this trade, since by avoiding ocean freight and using parcel post, the Taiwan publishers are able to flood their markets with thousands of book parcels, for there can be no legal inspection of such parcel-post packages.

Some U.S. publishers have taken steps to alleviate the hardships of Asian students by reprinting cheap editions of their of their leading textbooks in Tokyo, Manila, or Bombay. While every other Asian country has published these books in large numbers, the committee will not be surprised to know that not a single authorized Asian edition has been sold in the Republic of China. One Chinese bookseller, United Subscription Agency, of 4A Chungshan North Road, Taipei, wrote to the McGraw-Hill Book Co. on June 24, 1959, as follows:

"We have carefully reviewed your list of McGraw-Hill Asian editions. We are naturally interested in it, for many of the titles are used by colleges here as textbooks, and the sales are indeed considerable every year. However, all but two of them, Stephenson's 'Introduction to Nuclear Engineering' and McAdams 'Heat Transmission' have been pirated locally. As a matter of fact, no less than 100 McGraw-Hill titles have been reprinted without your permission on this island."

Prof. Norris Shreve of Purdue University, the author of "Chemical Process Industries," a textbook reprinted by his publisher (McGraw-Hill) in Tokyo for sale throughout Asia, has spent several years on Formosa working with the

Chengkung University in Tainan. On his return there recently he wrote us as follows:

"The pirating on this island. I find that, among others, this is done by (1) Southeast Book Store, 115, Po-Ai Road, Taipei; (2) Ching Wet Book Store, Taipei; (3) East Asia Book Co., 337, Section 3, Roosevelt Road, Taipei.

"This is all done so openly, I am afraid it is going to be hard to stop.

"The pirated editions cost between \$1 and \$3 each. Production is shoddy. The authorized reprints cost somewhat more, but generally within a third of the U.S. list price. For example, the U.S. list price of Samuelson's "Economics," third edition, is U.S.\$6.50. The publisher's authorized reprinted Tokyo edition costs U.S.\$2.22. The Formosan edition costs about 85 cents. Two pirates have recently competed in producing separate pirate editions of the "Encyclopedia Britannica," the lower priced edition selling at U.S.\$45. As these editions spread throughout Asia, as they now threaten to do, the entire structure of the American book trade with the Far East will be affected."

We bring this matter before your committee for two reasons.

The first is that the Mutual Security Act of 1950, recognizing the growing problem of expropriation, contains the following language in section 503(b):

"In any case in which the President determines that a nation has hereafter nationalized or expropriated the property of any person as defined in section 413(b) and has failed within 6 months of such nationalization or expropriation to take steps determined by the President to be appropriate to discharge its obligations under international law toward such person, the President shall, unless he determines it to be inconsistent with the national interest, suspend assistance under this act to such nation until he is satisfied that appropriate steps are being taken."

The uncompensated seizure, with the acquiescence of the Chinese Government, of the property of American publishers and authors, and its use not only to supply the market in Taiwan but also to compete unfairly with those very authors and publishers and with British and local authors and publishers in Hong Kong, Malaya, the Philippines, and, indeed, throughout the Far East, is not technically, an "expropriation" within the specific language of the present act. For this reason we cannot seek redress under that section. Nevertheless, such seizure and use of American property is expropriation in fact if not in name and belongs with the problems to which the Congress has addressed itself in the section of the Mutual Security Act quoted above.

The second reason is that the mutual security program, for which you are appropriating, is aimed largely at the economic development of the Far East. As a part of that development, the U.S. Government has done much to encourage the provision of scientific and technical books and textbooks for the students, physicians, scientists, and engineers of those countries. It has given tens of thousands of such books as gifts. It has encouraged their importation by the countries in the mutual security program. It has encouraged American publishers to establish elaborate commercial arrangements to ship books to those countries and to manufacture inexpensive editions in Asia especially for sale there. Going further, many hundreds of thousands of dollars of American taxpayers' money have been spent through the Mutual Security Agency and other agencies to encourage the development of local publishing industries in such countries as Burma and the Philippines to meet acute local needs for educational and scientific and technical books. All of this effort will be set back or totally frustrated if all orderly methods of publishing and supplying books are subject to this sort of systematic piracy. It is precisely as if one were trying to encourage the development of industry in a country where there is no protection for patents, or to encourage the development of commerce in a country where contracts could not be enforced. The operations of publishers in Taiwan are having just this sort of disruptive effect through much of the Far East, and they are rapidly growing from month to month.

Already many American publishers are finding it necessary to abandon their entire sales effort in the Republic of China, and their ability to maintain exports to other Asian countries like Hong Kong and Malaya is being curtailed. The Mutual Security Agency program in its broadest aspects is being damaged.

Relatively simple measures by the Republic of China could quickly correct this situation, with great benefit to legitimate Chinese publishers, who could then negotiate for contracts for the right to reprint inexpensive editions needed in Taiwan on a sound and proper basis. We cannot believe that the Chinese Government will fail to take proper steps once it understands the gravity of

the situation and the acute difficulties and ill will it is creating. We are sure that any evidence of a proper congressional concern with this problem expressed by this committee will help to make apparent its importance. We want in no way to interfere with the important work of the Mutual Security Agency or to see its appropriations curtailed. Nor do we believe that specific legislation or appropriation limitations are at this time necessary. But we do hope that this committee will keep a watchful eye on future developments and will see fit to express its concern in its report on the present bill or in other appropriate manner.

#### CITIZENS COMMITTEE FOR UNICEF

### STATEMENT OF MRS. VIRGINIA M. GRAY, EXECUTIVE SECRETARY

#### GENERAL STATEMENT

Chairman HAYDEN. Mrs. Virginia M. Gray, of the Citizens Committee for UNICEF.

Mrs. GRAY. Senator Hayden, Senator Ellender, I am Virginia M. Gray, executive secretary for UNICEF.

Mr. Chairman, I should like to ask permission to have the statement filed for the record.

Chairman HAYDEN. That will be done.

Mrs. GRAY. I wish to call your attention to the number of organizations for whom I am authorized to speak on this statement this morning. There are 16 of them. You have them before you.

I will not take time to read them.

I would just like to say that these organizations believe very strongly in the value of the work of the United Nations Children's Fund and they support wholeheartedly the request for the \$12 million appropriation.

That is what has passed; that is the executive branch request; it has passed in the authorization bill; it has passed the House Appropriations Committee.

So your committee and the Senate is the final stage. I hope you will see your way clear to support it likewise.

Thank you very much.

#### PREPARED STATEMENT

Chairman HAYDEN. Thank you for your statement. Your full statement will go in the record.

(The statement referred to follows:)

The Citizens Committee for UNICEF, an informal clearinghouse of legislative information serving a number of national organizations which support continued U. S. participation in the United Nations Children's Fund (UNICEF), has been authorized by the following such organizations to present this joint statement:

- American Association of University Women.
- American Parents Committee, Inc.
- American Veterans Committee.
- Association for Childhood Education International.
- Cooperative League of the U.S.A.
- Friends Committee on National Legislation.
- General Alliance of Unitarian and other Liberal Christian Women.
- Jewish War Veterans of U.S.A.
- Methodist Church-Woman's Division of Christian Service of the Board of Missions.
- National Association of Colored Women's Clubs, Inc.
- National Association of Social Workers, Inc.

National Board of Young Women's Christian Association.  
 National Congress of Colored Parents and Teachers.  
 National Council of Jewish Women.  
 United Church Women.  
 Women's International League for Peace and Freedom.

These organizations support enthusiastically the request of the executive branch for a U.S. contribution of \$12 million to UNICEF in the fiscal year ending June 30, 1960. Many of our organizations have supported the work of the Children's Fund since its beginning. Others have become interested more recently as knowledge of the accomplishments of UNICEF has spread and recognition of its enduring benefits to children has likewise grown.

We believe that a U.S. contribution of \$12 million is a modest request, both in relation to the resources of the United States and in terms of the enormous needs of children in the underdeveloped areas of the world.

#### SIZE OF CONTRIBUTION

In case a doubt exists as to the financial ability of the United States to contribute this amount, it is important to point out that, while the United States has been the largest single contributor to the Children's Fund to date, it ranks only 27th among the donor nations for 1958 when its gift is correlated with our gross national product.<sup>1</sup> In other words, 26 other countries, led by Costa Rica, Iran, and Honduras, in that order, contribute to UNICEF an amount that is a higher percentage of their gross national product. Or, on the basis of population our gift of around 6 cents per capita could not, in any sense, be considered excessively generous.

In this connection, attention should be called to the steady financial growth of UNICEF's resources to meet the needs of the underprivileged children, a growth measured both by the increase in the number of governments contributing to the central account, which rose from 30 in 1950 to 80 in 1957 and to 87 in 1958, and in the absolute amount of money so contributed by Central Governments. In 1957, 80 governments gave \$17.9 million; in 1958, 87 governments gave \$19.9 million. One-half of this increase represented gifts by governments other than the United States and the other half was an increase by the United States. The 1959 pledge of the United States remained the same as its 1958 contribution: \$11 million.

When one realizes that this growth in voluntary contributions to the central account of UNICEF has taken place at the same time that many donor countries are financing other urgently needed projects of economic development that compete for their limited financial resources, and in addition, that many of these same governments are struggling to provide the necessary internal matching funds for meeting their own children's needs, the conclusion is clear that there is almost universal agreement on the merits of this work for children and on the high priority that governments attach to it. At this point a word should be added regarding the dramatic increase in the internal matching by the assisted governments. From the beginning of UNICEF's operations, every government seeking UNICEF aid has been required to contribute from its own resources (in goods and services) an amount equal to the funds given by UNICEF. At the March 1959 Executive Board Meeting allocations of funds amounted to slightly over \$10 million. The corresponding commitments of recipient governments totaled \$31.9 million, thus matching at a rate of more than 3 to 1 the international funds received.

Now, however, the fact should not be overlooked that the number of governments contributing to the central account has about reached its maximum. Little further increase can be expected therefore from any untapped sources of support. Steady but not spectacular increases may be anticipated from the

<sup>1</sup> Figures for the gross national product in 1955 taken from "The Role of Foreign Aid in the Development of Other Countries," a study prepared for the U.S. Senate Special Committee To Study the Foreign Aid Program, U.S. Government Printing Office, Washington: 1957, p. 81.

regular contributing governments but, in the year ahead, these could not offset any loss to UNICEF should, for any reason, the full amount of the recommended \$12 million contribution not be received from the United States.

#### NEEDS OF CHILDREN

To turn now to the story of the enormous needs of the world's children, we find that UNICEF is currently assisting 328 projects in 105 countries and territories. The Executive Director reported to the UNICEF Board in March 1959 that over 50 million children and expectant and nursing mothers benefited in 1958 from the principal large scale disease control campaigns and maternal and child feeding programs. These were direct beneficiaries; the number of children indirectly aided, for example, through the availability of safe milk bought from a pasteurizing plant that received help from UNICEF cannot be counted. A study of the 105 countries now receiving UNICEF aid shows that these areas fall almost entirely within the category defined by the Population Branch of the U.N. as technologically underdeveloped areas. The child population (up to 15 years of age) of this area is approximately 550 million. Of course no one would even hope to reach all of these children with aid in any form, but such statistics can give a rough idea of the magnitude of the need. When to this is added the increasing child population of the countries assisted by UNICEF—an increase estimated at the rate of approximately 2½ percent a year due primarily to a reduction in infant mortality rather than to an actual increase in the number of births—the fact becomes vividly clear that there is indeed "need to run faster just to stand still." Furthermore the needs of these increasing numbers of children come on top of the present programs directed toward improving the level of services to children.

Sheer numbers of children doomed to starvation or to a life of hopeless poverty, chronic illness, and ignorance is not the whole story, however. UNICEF, while sensitive to these almost limitless opportunities for assistance, is not attempting to increase direct aid on such a mass scale. Rather there is a major effort to improve the quality of the programs which recipient countries are carrying forward, and to concentrate on the type of project that will use the limited resources available for aid most efficiently and thus to promote basic permanent gains for the greatest number of children. Thus programs of aid are determined not only by the existing need but also by the ability of the country itself to carry forward its own assistance beyond the limited period of UNICEF aid. A fundamental requisite is the availability of local people who can be trained to carry forward the immediate gains over the long run in an ever widening area of effectiveness.

There is an awareness also of the interrelationship of the problems of hunger, disease, ignorance, and poverty; of the fact that the temporary cure of illness is not enough unless the dangers of reinfection are also removed; that education in basic principles of personal and environmental sanitation is essential; in short, that an ounce of prevention is from every point of view better than the necessity for more expensive cure. Thus we have the continued battles against the major scourges of yaws, malaria, tuberculosis, and leprosy, and an expanding work against the ravages of trachoma. While these basic programs are making progress, the community development movement expands the usefulness of maternal and child health clinics by demonstrating to the beneficiaries of aid how they can best help themselves toward the goals of a healthful life and a useful place as citizens in their country. In these ways UNICEF is laying foundations for programs of economic development upon which sound future growth and political stability of many areas will depend.

These then are some of the broad needs of the world's children and a glimpse of the way UNICEF is mobilizing a relatively small budget to accomplish a very large measure of permanent betterment for the future citizens of the world. Our organizations believe firmly in the soundness of procedure and the value of the results already obtained by UNICEF. We hope that the United States will continue to afford an unwavering example of leadership by supporting this work with every cent of the \$12 million recommended for the year ahead.



## THE NATIONAL CONGRESS OF PARENTS AND TEACHERS

**STATEMENT OF ELIZABETH T. FARWELL, MEMBER, WASHINGTON  
COMMITTEE ON LEGISLATION**

## GENERAL STATEMENT

Chairman HAYDEN. Mrs. Elizabeth T. Farwell, National Congress of Parents and Teachers.

Mrs. FARWELL. Senator Hayden, my statement also is very brief. I would like to read it.

I am Elizabeth T. Farwell, a member of the Washington Committee on Legislation for the National Congress of Parents and Teachers.

I am submitting this statement for Mrs. Fred L. Bull, national chairman of legislation, in support of the appropriation of \$12 million for the United Nations Children's Fund.

I appreciate the opportunity of appearing before this committee today to represent the National Congress of Parents and Teachers, a volunteer group with over 11½ million membership.

As you know, our organization has maintained a deep interest in the UNICEF program since its inception because we feel it continues to make an invaluable contribution to the welfare of the world's children.

We urge the appropriation of the \$12 million requested for fiscal 1960 in the sincere hope that other governments will contribute their full share in this important effort.

Year by year we have watched the program grow, and the contributions of other governments become larger. This shared planning and carrying out of worthwhile objectives, with shared financial participation, seems to us to be the ideal method by which we can help other countries in the world to help themselves.

We believe that to relax our vigil over the success of this self-help program for maternal and child health would be a dereliction of our duty as citizens.

The leading role that the United States has played in the furthering of UNICEF objectives is a source of great pride to our organization and we are most grateful for the active support of the Congress in this matter. We believe that the welfare of our children depends on the welfare of the world's children.

Thank you very much.

Chairman HAYDEN. Mrs. John Briscoe, member of the board of directors of the League of Women Voters.

## THE LEAGUE OF WOMEN VOTERS

**STATEMENT OF MRS. JOHN BRISCOE, MEMBER, BOARD OF  
DIRECTORS**

## GENERAL STATEMENT

Mrs. BRISCOE. Senator, I am here to emphasize especially those three aspects of the mutual security program in which our organization is interested, the Development Loan Fund, technical cooperation, and the United Nations program of technical assistance.

I am Mrs. John Briscoe, a member of the board of directors of the League of Women Voters of the United States.

I am speaking today for the 126,000 members in more than 1,000 local leagues in all the 50 States and the District of Columbia.

The league strongly supports those portions of the mutual security legislation which are aimed at building a solid base for economic development in the developing countries of the world, the Development Loan Fund, and the programs which provide bilateral and multilateral aid through sharing of technical skills.

The league has studied and supported foreign economic aid proposals beginning with the European recovery plan. During the last 18 months our members have been engaged in an intensive study of U.S. foreign policy, its goals and objectives. We have become increasingly aware of the potential value of underwriting economic development projects to give impetus to the movement toward growth and stability in the developing countries.

#### LIVING IN AN INTERDEPENDENT WORLD

The most impelling fact that has emerged from this study is the knowledge that we are living in an interdependent world. Interdependence has made both political cooperation and military alliances necessary and U.S. policies must reflect this necessity.

Interdependence also means that the economic welfare of the United States will be directly affected by the economic welfare, or lack of it, of other nations.

Furthermore, we are convinced that the failure of the less developed countries to advance economically can result in political instability and in unrest which may bring about events dangerous to our own security.

The needs of these countries are so large that they require the combined efforts of public and private capital from all the industrialized nations. The Development Loan Fund is designed not to compete with, but to supplement, other sources of financing. It offers help for building basic projects, thus moving closer to the time when these countries can become self-sufficient.

Since this help through the Development Loan Fund comes in the form of a loan, and since the projects it underwrites are screened for soundness, it is more acceptable to them and to us than our former program of grants.

We think the Senate should be congratulated on its foresight and imagination in originally creating the Development Loan Fund.

Now that its operation has been tested, we believe it should be further supported by funds adequate to meet the needs of those countries whose requests for loans are justified by officers of the Fund.

#### SUPPORT FOR MUTUAL SECURITY FUNDS

Therefore, we urge that the full amount of the authorization for fiscal 1960, \$700 million, be granted by this committee, and that this sum be defended strongly in the conference with the House, which made a cut of \$150 million in the authorized amount.

Technical cooperation provides one of the most effective ways of hastening the process of growth which is taking place within these developing countries.

The handicap of lack of trained personnel and of agricultural and industrial skills is slowly being overcome through both bilateral and multilateral programs.

We hope that this committee and the Senate will grant the full amount authorized by the House.

We are particularly glad to know that through our contribution to the United Nations program of technical assistance we are working with other countries to foster those skills which are so badly needed in so many parts of the world. We urge that the full amount of the authorization, \$30 million, be granted.

The portions of the mutual security program which the League supports are an extremely small percentage of the total 1960 fiscal budget, less than one-third of 1 percent of our gross national product.

We believe that these programs are an investment which we cannot afford to reduce and which will in future years bring in big dividends in the form of greater stability and security to our world.

Thank you very much.

Chairman HAYDEN. Thank you for your statement.

Senator ELLENDER. Mr. Chairman, may I ask a question?

Chairman HAYDEN. Yes.

#### U.N. TECHNICAL ASSISTANCE FUND

Senator ELLENDER. Mrs. Briscoe, I presume you are familiar with the contributions made by other nations to the special technical assistance fund of the U.N.?

Mrs. BRISCOE. Yes.

Senator ELLENDER. Do you know what our proportion is?

Mrs. BRISCOE. I am not aware of the exact proportion, though.

Senator ELLENDER. As you know, Congress has been trying to get nations of the U.N. to contribute in proportion to their ability and we have been trying to reduce to some extent our relative contribution. It has been my feeling that if the program is good for us, it is good for everybody, all the countries in the U.N.

Mrs. BRISCOE. Yes.

Senator ELLENDER. But we find ourselves today contributing 60 percent of the amount that is spent by U.N. for technical assistance.

Now, in addition to that, we are spending almost \$180 million of our own on a bilateral basis.

Mrs. BRISCOE. Yes.

Senator ELLENDER. Do you think that is fair?

Mrs. BRISCOE. I would think, Senator, being as wealthy a nation as we are—

Senator ELLENDER. As what, did you say?

Mrs. BRISCOE. Wealthy.

Senator ELLENDER. You think we are very wealthy?

Mrs. BRISCOE. I think we are very wealthy relative to other nations.

Senator ELLENDER. Which nations? You can name a few, of course?

Mrs. BRISCOE. Italy.

#### INTEREST ON PUBLIC DEBT

Senator ELLENDER. We will be as poor as the poorest nation if we continue to spend at the present rate. I do not have to discuss our

debt with you, but next year it is going to require between 11 and 12 percent of every dime we appropriate to pay only the interest on our debt.

We may owe as much as \$290 billion within the next year.

For the first time in a hundred years we have had a deficit in our balance of payments and it amounted to \$3.3 billion.

In the past 8 or 10 months, the flight of gold from our country has been increasing, and all of that emanates in my humble judgement from the fact that we give so much of our treasury abroad without the hope of assistance from those able to assist.

Mrs. BRISCOE. I think it can be argued, Senator, that within the past we made a vast investment in technical skills in our own country and we are now reaping dividends.

Senator ELLENDER. What kind of dividends? In what respect? You mean as far as we are concerned?

Mrs. BRISCOE. Our standard of living; yes. I think in an interdependent world it can always be argued that our investment today will pay off to us and the other free members in the future.

#### PROSPERITY OF EUROPE

Senator ELLENDER. That is what I expected, myself. That is why I voted for the Marshall plan, but I found out, in my travels abroad, that there have never been more prosperous nations in Western Europe than the nations there presently are. France, for example, England, Switzerland, Italy, all of them are prosperous.

It strikes me, as I have often said, that in a matter of contribution for this so-called mutual assistance we ought to get a full measure of support from those who are now prosperous, as a matter of fact, as prosperous as we are, but who do not respond. That is what I resent.

Mrs. BRISCOE. Thank you, Senator.

Chairman HAYDEN. Thank you, Mrs. Briscoe.

Mr. Ruben Johnson, coordinator of the Division of Legislative Services of the National Farmers Union.

#### NATIONAL FARMERS UNION

### STATEMENT OF RUBEN JOHNSON, COORDINATOR, DIVISION OF LEGISLATIVE SERVICES

#### GENERAL STATEMENT

Mr. JOHNSON. Thank you very much, Mr. Chairman.

It is a pleasure for me to appear before a distinguished Member of the Senate, the chairman of the Senate Appropriations Committee, who, over the years, has been such a staunch supporter of farmers in their program.

If I may, Mr. Chairman, I would like to file for the record the first page of my statement and make what few comments I have from the second page.

Chairman HAYDEN. That may be done under the 5-minute limit.

Mr. JOHNSON. I am glad to see Senator Ellender come back into the room because I want to commend him for the action recently of his

committee which resulted in making possible greater use of our commodities in the United States.

In this connection I want to add that we feel strongly we are not making as much use of our food and fiber stocks as we should to promote education and development and the objectives of the mutual security program.

We fully support the dollar appropriations of the mutual security program.

#### USE OF FOOD AND FIBER STOCKS

However, we feel strongly that we are not making as much use of our food and fiber stocks as we should to promote education and development and the objectives of the mutual security program.

We urge you to give greater consideration, as the vital arm of the Senate on appropriations, to ways and means of using food and fiber or local currency derived from the sale thereon as tools of education and development.

We know that food and fiber represents wealth or capital and that it has a place in the program of dollar and hard goods assistance.

We feel that in our failure to use the food and fiber stocks at this significant point in the history of the world, we are overlooking the biggest advantage we have over the Soviet bloc countries.

In this connection, Mr. Chairman, I respectfully request your permission to insert in the record of the hearings a statement released by the Agriculture Committee of the National Planning Association, entitled "Farm Surpluses and Foreign Aid." I believe you have copies of that statement before you. I have finished copies to the clerk.

Chairman HAYDEN. It is available for our records.

#### STUDY OF DISARMAMENT

Mr. JOHNSON. We urge that you include in the bill approved and reported the appropriation item to permit further detailed study of disarmament. We understand that the Department of State has requested funds for this purpose and that the further study which would be possible is essential if our negotiators are to have the facts they need in subsequent meetings on the subject.

Let me assure you, Mr. Chairman, that we feel the authorization bill before you is modest in the amount it provides.

We urge you not to make any cuts and to lend your support to those who believes as we do that economic and technical aid and maximum use of our food and fiber abundance should be emphasized to a greater extent than in the past operation of the program.

Mr. Chairman, one other thing I want to mention. I commend the action of the Congress in the present draft of H.R. 7500, the Mutual Security Act, under section 205(c) where they acknowledged the need for making food available at home for our own needy citizens as well as abroad.

#### FOOD STAMP BILL

This brings me back to my previous comment, the commendation of Senator Ellender and the action of the Senate Agricultural Committee who recently reported out a food-stamp bill.

I hope that this bill will be considered on the Senate floor.

In this connection, Senator Ellender, you will no doubt know that the House yesterday put a food-stamp amendment on the Public Law 480 extension bill; Mrs. Sullivan's bill was added.

I think this was a good thing. I would hope that when you consider the bill next Tuesday, as I understand you will, in the Senate Foreign Relations Committee—that you will add your food-stamp bill to Public Law 480.

I think these two things should be together. When we are using food to help people abroad it is logical and reasonable that we add provisions to see that our needy citizens at home get the food that they need.

Thank you very much, Mr. Chairman.

Chairman HAYDEN. Thank you.

(The formal statement of Mr. Johnson follows:)

ADEQUATE APPROPRIATIONS FOR ECONOMIC DEVELOPMENT AND TECHNICAL ASSISTANCE IN DEVELOPING NATIONS

The historic Geneva meeting relates directly to the deliberations of this subcommittee in my judgment. As a matter of fact, our foreign economic, technical, and military assistance programs become increasingly important in light of the stalemate at Geneva. As we in Farmers Union view these programs, the objective we seek as a nation is to foster the development of a world environment that is conducive not only to our survival but to the preservation of the kind of rights and privileges we have under the U.S. Constitution and Bill of Rights—preservation of such rights, not only for ourselves but for the people of the world.

Delegates to our recent convention in March 1959 expressed continued support of these programs before you, which increase the economic strength, productive capacity and living standards of the people of the free world. National Farmers Union has supported such efforts since, as the emerging leader of the free world, Congress and the executive branch recognized the responsibilities that the leader must shoulder.

Farmers' interest in world affairs is centered around interests similar to those we have at home. To name a few of the more important ones—secure land tenure, adequate farm-income programs, development of farmers' purchasing, marketing and service cooperatives, adequate family farm credit facilities, and organization and development of free farm organizations. While recognizing the need for the military kind of security, farm people especially support the educational (technical assistance and cooperation, in official usage) and economic aspects of our oversea aid. It is through programs to protect prices and incomes of farmers, for example, that we have been able to apply new methods and technology which increase output and cut unit costs.

We recognize the great need that exists in the developing nations for education and basic programs of economic development. Such assistance as we provide under the mutual security program should be applied in such areas in ways that will help in building democratic institutions through which farmers and others may work for the rights that the citizens of the United States have under the Constitution and Bill of Rights.

We fully support the dollar appropriations of the mutual security program. However, we feel strongly that we are not making as much use of our food and fiber stocks as we should to promote education and development and the objectives of the mutual security program. We urge you to give greater consideration, as the vital arm of the Senate on appropriations, to ways and means of using food and fiber or local currency derived from the sale thereof as tools of education and development. We know that food and fiber represents wealth or capital and that it has a place in the program of dollar and hard goods assistance. We feel that in our failure to use the food and fiber stocks at this significant point in the history of the world, we are overlooking the biggest advantage we have over the Soviet bloc countries. In this connection, Mr. Chairman, I respectfully request your permission to insert in the record of the hearings a statement released by the agriculture committee of the National Planning Association, entitled, "Farm Surpluses and Foreign Aid." It is signed

by 25 members of the agriculture committee, including Jim Patton, president, National Farmers Union, and John Baker, director, division of legislative services.

We urge you to include in the bill approved and reported the appropriation item to permit further detailed study of disarmament. We understand that the Department of State has requested funds for this purpose and that the further study which would be possible is essential if our negotiators are to have the facts they need in subsequent meetings on the subject.

Let me assure you, Mr. Chairman, that we feel the authorization bill before you is modest in the amount it provides. We urge you not to make any cuts and to lend your support to those who believe as we do that economic and technical aid and maximum use of our food and fiber abundance should be emphasized to a greater extent than in past operation of the program.

#### AMERICAN VETERANS COMMITTEE

### STATEMENT OF IRVIN LECHLITER, EXECUTIVE DIRECTOR

#### GENERAL STATEMENT

Chairman HAYDEN. Mr. Irvin Lechlitter, of the American Veterans Committee.

Mr. LECHLITER. Mr. Chairman, Senator Ellender, I am Irvin Lechlitter, executive director of the American Veterans Committee.

I should like to inform the distinguished committee of our position with respect to three matters.

If my statement may be inserted in the record, I will tell you in a few words what is in it. I need to make one correction.

Coming down this morning I saw some incorrect figures. On the second page, in the second paragraph:

"The AVC urges the committee to restore the \$25,500,000 cut made in the House funds for technical assistance,

and the amount authorized instead of \$179,500 is \$211 million. I am sorry, I don't know how I overlooked it, but I caught it at the last moment.

We would urge your committee to restore the full amount of the appropriation authorized for the Development Loan Fund because we think that the Development Loan Fund is a very encouraging advance—a very encouraging new approach to mutual security legislation.

We would ask you to recommend to the Senate the appropriation of the full \$700 million for this fiscal year.

Senator ELLENDER. May I be permitted to correct you? This is not a new approach; this is the approach originally advocated by General Marshall; but the approach was too slow, so they used grants.

Mr. LECHLITER. Thank you, Senator.

#### TECHNICAL ASSISTANCE PROGRAM

What I meant was a new approach to the way we have been handling some of our technical assistance programs in the past. I think that there are many countries who are in a position to handle loans and they would prefer to have loans that they can repay rather than to have grants.

There are some countries in the world, however—and this leads me to the second point—who, I think, are not able to usefully absorb

any amount of capital loans and it is to those countries we would urge that the Senate Committee on Appropriations restore the full amount appropriated for the technical assistance program.

#### STUDY OF NUCLEAR DISARMAMENT

Finally, I would like to say a word in support of Senator Humphrey's amendment for appropriation of \$400,000 to be made available to the State Department for foreign policy studies, including in particular a study of nuclear disarmament.

At our last convention held in May, we strongly endorsed every continued effort toward disarmament and I should like, therefore, to place our organization on record in support of Senator Humphrey's amendment.

Chairman HAYDEN. Thank you, sir.

(The statement referred to follows:)

The American Veterans Committee has throughout this session of the 86th Congress concentrated attention in both Houses of the Congress on strengthening the Development Loan Fund and sustaining this country's technical assistance program at a high level. Neither the House nor the Senate has seen fit to authorize expenditures for these two activities of the mutual security program in amounts which AVC considers adequate. The matter of authorizations is, however, no longer within our sphere of influence. I am here today, thanks to the graciousness of this distinguished committee, to join with many other witnesses for public organizations in urging the restoration of reductions made in the House, particularly as they affect the Development Loan Fund and the technical assistance program.

Earlier in this session, in testimony before the Senate Foreign Relations Committee, AVC supported the Fulbright amendment which would have extended the life of the DLF for 5 years, with lending authority at the rate of \$1.5 billion each year. The Fulbright amendment failed, and out of the Senate-House conference came a 2-year authorization for the DLF of \$700 million for fiscal year 1960 and \$1.2 billion for fiscal year 1961. Subsequent House action actually appropriated \$550 million for fiscal year 1960, a reduction of \$150 million for this year.

AVC believes that the concept out of which grew the DLF represents an encouraging advance in our approach to the administration of the foreign aid program. We believe that the lesser developed countries which are capable of efficiently absorbing capital overwhelmingly prefer economic assistance in the form of loans which may be repaid on a long-term basis. The DLF offers these countries aid on terms for which they are searching and we ask your committee to recommend to the Senate the full appropriation of the \$700 million authorized. We also urge your committee to recommend to the Senate the authorized appropriation of \$1.2 billion authorized for fiscal year 1961. We consider such an appropriation vital to efficient program planning by the DLF.

On the other hand, we must not overlook the existence of more underdeveloped countries which are not yet at a point in their economic development to independently handle loans of the kind made by the DLF. It is with the critical needs of these countries in mind that AVC urges your committee to restore the \$29,500 million cut made by the House in funds for the technical assistance program for fiscal year 1960, and recommend to the Senate the full appropriation of the \$179,500 million authorized.

Before concluding my testimony, I wish to refer briefly to an amendment to H.R. 8385 introduced by Senator Hubert H. Humphrey which would appropriate \$400,000 to the Department of State for certain foreign policy studies, including arms control studies. In its 1959-60 platform on international affairs, AVC calls for strengthening the military defenses of the non-Communist world. In the words of the platform, however: "We hope that the leaders of all nations are aware that in this nuclear missile age the avoidance of war between major powers has become an essential. The controlled reduction of all armaments and the abolition of atomic weapons must continue to be a central objective of U.S. policy—a disarmament which is reliably policed and enforced." We therefore urge the Senate Appropriations Committee to include Senator Humphrey's amendment to this year's mutual security appropriation bill.



## AMERICANS FOR DEMOCRATIC ACTION

## STATEMENT OF EDWARD D. HOLLANDER, NATIONAL DIRECTOR

## GENERAL STATEMENT

Chairman HAYDEN. Mr. Edward D. Hollander, national director of Americans for Democratic Action.

Mr. HOLLANDER. Good morning, Senator.

I would like permission to have at the table with me Mr. William Taylor, legislative representative of ADA.

With your permission, I would like to place in the record the short statement which we have submitted to the committee.

Chairman HAYDEN. That may be done.

Mr. HOLLANDER. And speak very briefly in summary of it and to several points within it.

We would urge the committee to restore to the appropriations several of the funds which the House cut. ADA has from the very beginning of its existence been strongly in favor of all of the programs of international cooperation and mutual security, going back to point 4.

Our annual conventions have repeatedly gone on record in this respect and we have from time to time come forward with ideas on these subjects, some of which I am happy to say have been adopted by the Government and by the Congress after a while.

## TECHNICAL COOPERATION

We would like particularly to plead with you on the question of the cut which the House made in the appropriations for technical cooperation which has always seemed to us to be the best investment in economic development and in social progress throughout the world which the United States was able to make in its own interest.

We are aware that some questions have been raised about the ability to recruit sufficient technically qualified people to carry on these programs and, of course, if it is impossible to recruit them, this might set limits on it, but we certainly hope that the Congress and your committee particularly, will avoid placing arbitrary financial ceilings on this and provide the maximum incentive to the Government to recruit technically qualified people to carry on this very valuable program.

## DEVELOPMENT LOAN FUND

We hope also that you will appropriate the full \$700 million authorized for the Development Loan Fund. We are among those who feel that the amount that was originally authorized was not as much as would be in the interest of the country.

We remember very well that spokesmen for the administration only a few months ago were advocating a billion dollars a year with a long-term commitment of 5 years and we believe that the amount that was included in the authorization and in the House action is certainly a minimum.

We note also, sir, the suggestions that are coming forward for the establishment of an international development association which, incidentally, we have advocated as long ago as 5 years back and we cer-

tainly hope that this will not be construed as an argument against adequate support for the Development Loan Fund.

In terms of the objectives of the U.S. foreign policy, these we believe are not conflicting, but supplementary.

IDA would advocate a much needed vehicle for international cooperation in international development and a means for enlisting financial support internationally on a broader base.

The amounts being proposed for IDA, a billion dollars over 5 years, would fill only part of the gap between the needs for overseas investment and the available funds from the United States and other countries.

The DLF with its greater funds and greater flexibility from the point of view of U.S. foreign policy would still be the principal instrument of U.S. policy for economic development.

#### ARMS CONTROL STUDIES

I would like to second what the preceding witness said, sir, in urging you to appropriate the \$500,000 for arms control studies which Senator Humphrey has proposed.

As we have said here in the statement, it has certainly been proven by the course of these negotiations with the Soviet Union on this subject that our representatives should come as fully informed and as well prepared as possible at the conference table on this difficult and treacherous subject.

Thank you, sir.

#### PREPARED STATEMENT

Chairman HAYDEN. Thank you for your statement, Mr. Hollander. Your statement will be included in the record.  
(The statement referred to follows:)

Mr. Chairman and members of the committee, my name is Edward D. Hollander, and I am appearing today on behalf of Americans for Democratic Action, in my capacity as national director. Our organization appreciates the opportunity to testify before your committee in support of adequate appropriations for the Mutual Security Act of 1950, in accordance with the resolutions of our annual conventions.

Mr. Chairman, we are nearing the end of the annual and painful pilgrimage this legislation makes through the halls of Congress. As in past years, an already inadequate program has suffered severe cuts at the hands of the Appropriations Committee of the House of Representatives, and as usual we are asking you to appropriate up to the figures earlier authorized by both Houses.

As compared with previous years, there have been both encouraging and discouraging features in this year's legislative history. On the encouraging side, I should like to pay tribute to the efforts made in both Houses to increase the amount and the duration of the aid beyond that asked by the administration—the first serious effort of this sort in the years during which we have been appearing in support of overseas aid.

These efforts have, of course, not achieved anything like complete success. But it is, in our view, highly significant that support of the Development Loan Fund to the extent of \$1.1 billion has been authorized for fiscal year 1961, in addition to the \$700 million authorized for fiscal year 1960, thus giving congressional recognition to the need both for more adequate funds and for greater continuity in our assistance to the developing nations.

Let me also mention, on the positive side, the transfer to the Defense Department budget of military assistance funds, on an experimental, 2-year basis. This is a significant step toward the separation of military from technical and economic assistance, which our organization and others have long advocated.

I welcome also the new language in the act, which puts the emphasis upon its positive and constructive aspects.

The chief damage done to the act is damage which it is within your power to repair—in the sums appropriated by the House in several categories. The most deplorable and unexpected, in our view, is the reduction in the appropriations for technical cooperation. Hitherto, this effective and relatively inexpensive aspect of the oversea aid program has enjoyed almost universal support.

The reduction is based, as we understand it, on the possibility that the Government may not be able to recruit sufficient qualified technicians to implement the full program. This may turn out to be the case—we do not have the power totalitarian governments like that of the Soviet Union enjoy, to conscript the needed technicians. But, if technicians do become available—as we hope they will—it would be deplorable not to be able to put them to work for lack of funds.

This is yet another illustration of the ever-bare-cupboard, empty-pipeline theory of oversea aid, which we have heard too often expressed in Congress. No great business enterprise would function on the hand-to-mouth basis which congressional critics of the oversea aid program seem determined to impose upon it.

The technical assistance program cannot, of course, proceed faster than the availability of technicians permits. And the Development Loan Fund in any case must be restricted to projects which are sound and constructive. These proper operating standards in themselves will set the pace at which the oversea aid program can develop and grow. It is therefore not only unnecessary but harmful and self-defeating to impose, in addition, arbitrary and restrictive financial ceilings.

For this reason, we hope that you will appropriate the full \$700 million authorized for the Development Loan Fund—a sum recognized as inadequate even by administration spokesmen, who as recently as November were speaking in terms of \$1 billion a year for 5 years.

In passing, we note that the imminent establishment of the International Development Association—which we have long advocated and supported—has, unfortunately, been used as an argument against adequate support for the Development Loan Fund. In terms of the objectives of U.S. foreign policy, these are not conflicting but supplementary. The IDA would provide a much-needed vehicle for international cooperation, and a means of enlisting financial support on a broader base. But the amounts proposed—\$1 billion over 5 years—would fill only a part of the gap between oversea investment needs and available funds. DLF, with its greater funds and greater flexibility, would still be the principal instrument of U.S. policies for economic development.

Two of the least understandable and least excusable injuries inflicted upon the Mutual Security Act relate to international programs in which the United States has taken leadership at the United Nations—"atoms for peace" and the World Refugee Year.

We can all remember the enthusiasm which greeted the launching of the "atoms for peace" idea in an address to the U.N. General Assembly by President Eisenhower himself. That program has not developed to the extent that many of us have hoped. But the remedies lie, not in drastic curtailment of appropriations, but in a different U.S. attitude toward the program and administrative reforms in the International Atomic Energy Authority.

Even more inexcusable is the blow struck at the noble concept of a World Refugee Year, which won universal support at the United Nations, with the significant exception of the Soviet Union and its camp followers. They must be pleased that pennypinchers in Congress are doing the hatchet work which they began in the U.N. debates.

Mr. Chairman, as you know, the administration has for a number of years maintained the position that large-scale multilateral aid must wait upon measures of effective disarmament and financial savings which would result therefrom. We have always held the view that we can afford both adequate armament and an adequate aid program—but we, of course, fully recognize and appreciate the larger vistas which disarmament would open.

We therefore earnestly hope that you will see fit to appropriate \$500,000 for arms control studies, a sum which the State Department has requested, but which, as you know, has failed of inclusion in the State, defense, and supplemental appropriations because of technical difficulties. If there is one lesson which we should have thoroughly learned in the course of negotiations with

the Soviet Union, it is that our representatives must come as fully informed and prepared as possible to the conference table.

Mr. Chairman, let me conclude by a brief reference to the current investigation of our aid program in Vietnam. Charges of waste and corruption have been made in a sensational series of newspaper articles, and are currently being examined. Yet, in this same series of articles, there is tucked away the sentence:

"True enough, we have accomplished our main mission. We have kept Vietnam from Communist conquest and from economic collapse."

Let me underline that a bit. Five years ago there was a strong body of American opinion that truncated, chaos-ridden South Vietnam could not possibly survive. This opinion, indeed, was almost universally held abroad.

In 5 short years, free Vietnam has achieved not only economic stability but the respect and friendship of the community of free nations, and most notably of its neighbors. This is, in the truest sense, an achievement of the American and Vietnamese peoples, working together. We should be proud of it, not ashamed.

It is high time we stopped behaving as though we regarded ourselves as a collection of unsophisticated yokels, forever being sold the Brooklyn Bridge by the city slickers of Asia. Mistakes will be made, as they will be in any great enterprise. But their consequences will not be anything like as disastrous as those of doing nothing—or of doing too little, too late.

We hear much of the ugly American. But the ugliest face America can present to the world is that of pennypinching in the midst of prosperity beyond the boldest dreams of the developing nations. You have the opportunity to present—to our friends and to our enemies—the true face of America, constructive, confident and realistic in its ability to work fruitfully together with the other free peoples of the world. We urge you to take this opportunity to get on with this most important task of U.S. foreign policy by appropriating the full amounts authorized in this act for technical and economic assistance.

#### AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

### STATEMENT OF MRS. HELEN HARRIS, REPRESENTATIVE

#### GENERAL STATEMENT

Chairman HAYDEN. Mrs. Helen Harris, former international relations chairman for the State of Virginia Division of the American Association of University Women.

Mrs. HARRIS. Mr. Chairman, I would like to introduce Mrs. Bain, our legislative program committee chairman.

Chairman HAYDEN. Your statement will be included in the record completely. We shall be glad to have you highlight it.

Mrs. HARRIS. I am Mrs. Helen Harris, past international relations chairman for the Virginia State Division of the American Association of University Women, and I am here to represent the AAUW in support of appropriations for the mutual security program.

With a membership of over 140,000 college women organized in 1,437 branches in the 50 States, Guam, and the District of Columbia, the American Association of University Women has a long record of study and action toward increasing international understanding which, in fact, dates back to the years just following World War I.

This interest was reaffirmed as recently as June 21 when the delegates to the national biennial convention unanimously adopted the following item:

Support of a constructive foreign policy implemented under existing constitutional provisions and designed to develop conditions favorable to democracy, economic well-being, security, and peace throughout the world by working for such objectives as—

A. Liberalizing international trade;

B. Expanding programs for sound technical assistance and economic development.

SUPPORT OF MUTUAL SECURITY PROGRAM

The support of the association for the principles advocated in the mutual security program is older than the mutual security program itself. It goes back to the days of the inception of the Marshall plan and to the early postwar period when the AAUW hastened to bring to this country European women scholars whose work had been disrupted by the war.

Since those days the AAUW has spent well over a million dollars, as an expression of faith of American college women in international cooperation, as the best means for the preservation of the free world, in bringing to and supporting in the United States women students who wish to study in this country.

After these many years of intensely interested observations, the AAUW continues to support the mutual security program wholeheartedly, in spite of errors in programing and implementation which, even though partially inevitable, have been so publicized.

In fact, we wish to express regret that in the last few months we have witnessed the discard of recommendations made to the administration and to the foreign relations committees of both Houses for strengthening the program.

We also regret the weakening or discarding on the House and Senate floors of proposals made by the administration and these foreign relations committees which would broaden and finance the mutual security program for long enough periods of time to provide certainty of funds to those countries participating in the program.

DEVELOPMENT LOAN FUND

We speak in particular of the Development Loan Fund.

In 1956 when proposing the establishment of the Development Loan Fund, the administration requested an authorization of \$2 billion for a 3-year period.

Instead, the Congress has authorized \$500 million for the first year, \$625 million for the second, and \$700 million for fiscal 1960.

But, as we need not point out to this committee, only \$850 million including the supplemental appropriation to the Development Loan Fund made in this session of Congress, has been appropriated. We find these figures hard to reconcile with the fact of the ever growing awareness in this country that we can live in a better world for ourselves and others if we use our resources wisely to build such a world.

And the American Association of University Women wishes to state its belief in the desirability of language which expresses the intent of Congress to appropriate the \$1.1 billion authorized for the Development Loan Fund for fiscal 1961 in the Senate appropriation bill.

We also wish to urge the appropriation of the \$700 million authorized by Congress for fiscal 1960.

We wish to speak to the cut made in the House in the appropriation for the technical cooperation program. We have within our membership nationally distinguished women who have had the opportunity to observe or to work at first hand with these technical assistance programs.

We wish that we were able to communicate to you their faith in the success of this patience-demanding task of providing technical knowledge in fields which range from health to light industry.

Lacking that ability we wish to go on record as supporting restoration of the \$29.5 million cut from the \$179.5 million requested by the administration and authorized by Congress for technical corporation programs.

Another cut in funds which members of the association find hard to reconcile with need is that made in the sums requested for the administration of the mutual security program.

In our opinion there would be greater wisdom in improving personnel by offering career status and salaries adequate to attract outstanding individuals to the program than in slashing its administration funds.

We wish to thank the members of this committee for the privilege of again appearing before them in support of a program in which we believe so firmly as a means toward building a better world for ourselves and for others.

#### PREPARED STATEMENT

Since I have cut my statement, may I request that the full statement be included in the committee's record?

Chairman HAYDEN. That may be done.

Thank you.

(The statement referred to follows:)

STATEMENT IN SUPPORT OF APPROPRIATIONS FOR THE MUTUAL SECURITY PROGRAM BY MRS. HELEN HARRIS ON BEHALF OF DR. CATHERINE SIMS, CHAIRMAN, INTERNATIONAL RELATIONS COMMITTEE; AND MRS. W. M. BAIN, CHAIRMAN, LEGISLATIVE PROGRAM COMMITTEE; AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

Mr. Chairman and members of the committee, I am Mrs. Helen Harris, past international relations chairman for the Virginia State Division of the American Association of University Women, and I am here to represent the AAUW in support of appropriations for the mutual security program.

With a membership of over 140,000 college women organized in 1,437 branches in the 50 States, Guam, and the District of Columbia, the American Association of University Women has a long record of study and action toward increasing international understanding which, in fact, dates back to the years just following World War I. This interest was reaffirmed as recently as June 21, when the delegates to the national biennial convention unanimously adopted the following item:

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(a) Liberalizing international trade.

(b) Expanding programs for sound technical assistance and economic development.

The support of the association for the principles advocated in the mutual security program is older than the mutual security program itself. It goes back to the days of the inception of the Marshall plan and to the early postwar period when the AAUW hastened to bring to this country European women scholars whose work had been disrupted by the war. Since those days the AAUW has spent well over a million dollars, as an expression of the faith of American college women in international cooperation as the best means for the preservation of the free world, in bringing to and supporting in the U.S. women students who wish to study in this country.

After these many years of intensely interested observation, the AAUW continues to support the mutual security program wholeheartedly—in spite of errors in programing and implementation which, even though partially inevitable, have been so publicized. In fact we wish to express regret that in the last few months we have witnessed the discard of recommendations made to the administration and to the Foreign Relations Committees of both Houses for strengthening the program. We also regret the weakening or discarding on the House and Senate floors of proposals made by the administration and these Foreign Relations Committees which would broaden and finance the mutual security program for long enough periods of time to provide certainty of funds to those countries participating in the program. We speak in particular of the Development Loan Fund.

In 1959, when proposing the establishment of the Development Loan Fund, the administration requested an authorization of \$2 billion for a 3-year period.

Instead the Congress has authorized \$500 million for the first year, \$625 million for the second, and \$700 million for fiscal year 1960. But, as we need not point out to this committee, only \$450 million, including the supplemental appropriation to the Development Loan Fund made in this session of Congress, has been appropriated. We find these figures hard to reconcile with the fact of the ever-growing awareness in this country that we can live in a better world for ourselves and others if we use our resources wisely to build such a world.

Our purpose in discussing these authorizations and subsequent appropriations for the Development Loan Fund is to remind this committee of embarrassment to the United States that has arisen. Some of the countries participating in the Development Loan Fund have not yet developed a comprehensive knowledge of those of our legislative processes which inevitably result in an annual struggle over the mutual security program on both authorization and appropriation legislation. We wish to point out that invariably it is the authorization legislation which receives the greatest amount of headline space, both here and abroad. This circumstance makes extremely difficult the task of explaining to the people of our own country, much less to the people of other countries who are less enlightened about our procedures, that authorization legislation does not constitute a commitment.

Therefore, ill will and misunderstanding in our relationships with other countries will persist in some instances and we will continue to provide the Soviet propaganda machine with excellent materials for useful misinterpretation as long as we follow the procedure of annual authorization and appropriation for the mutual security program rather than authorizations to expend from public debt receipts.

We will then inadvertently defeat one of our principal goals—that of creating good will, thereby establishing for ourselves potential allies and probable markets for our economy.

We should also like to suggest to this committee that unfortunately in each of the years since the creation of the Development Loan Fund the mutual security legislation has been enacted after the fiscal year is well underway. Again it seems needless to point out to an Appropriations Committee that shortened fiscal year does not lead to truly successful programing and businesslike spending.

Thus we defeat a second of the principal goals of the program—that of contributing to the planned growth of underdeveloped areas while at the same time building confidence in the good will of the United States toward less favored nations.

With these points in mind the American Association of University Women wishes to state its belief in the desirability of language which expresses the intent of Congress to appropriate the \$1.1 billion authorized for the Development Loan Fund for fiscal 1961 in the Senate appropriations bill. We also wish to urge the appropriation of the \$700 million authorized by Congress for fiscal 1960.

We wish to speak to the cut made in the House in the appropriation for the technical cooperation program. We have within our membership nationally distinguished women who have had the opportunity to observe or to work at firsthand with these technical assistance programs. We wish we were able to communicate to you their faith in the success of this patience-demanding task of providing technical knowledge in fields which range from health to light industry. Lacking that ability we wish to go on record as supporting restoration of the \$29.5 million cut from the \$179.5 million requested by the administration and authorized by Congress for technical cooperation programs.

Another cut in funds which members of the association find hard to reconcile with need is that made in the sums requested for the administration of the mutual security program. As we are all aware, administration has been one of the points of attack upon the program. In our opinion there would be greater wisdom in improving personnel by offering career status and salaries adequate to attract outstanding individuals to the program than in slashing its administration funds.

We wish to thank the members of this committee for the privilege of again appearing before them in support of a program in which we believe so firmly as a means toward building a better world for ourselves and for others.

#### COOPERATIVE LEAGUE OF USA

### STATEMENT OF WALLACE J. CAMPBELL, DIRECTOR, WASHINGTON OFFICE

#### GENERAL STATEMENT

Chairman HAYDEN. Mr. Wallace J. Campbell, director Washington office of the Cooperative League of the United States of America.

Mr. CAMPBELL. Thank you very much, Mr. Chairman and members of the committee.

If I may, with your permission, I would like to file my statement as part of this record and then summarize various aspects of it.

First, I would like to point out that while I can only speak for my own organization, I think our membership is fairly typical of most of the American people and the 13 million members of the Cooperative League have indicated repeatedly their very strong support of the mutual security program.

I think they are as near typical American people as you would find anywhere. The majority are farmers in various types of farm supply, electric, credit, consumer, and other types of cooperatives.

We not only believe that the Government should do it, but we feel deeply enough about helping the less developed countries that we are digging in our own pockets to do something for it ourselves. We have people selected by the Cooperative League and financed by them helping people in Laos, Cambodia, Vietnam, India, Italy, the Caribbean, organized cooperatives of various kinds, credit cooperatives, marketing and supply cooperatives, to help themselves.

We are also members of the Cooperative for American Relief Everywhere, better known as CARE. We and 26 other organizations put up the original money to finance that and do a great deal of the work to raise the funds that are used in the CARE program.

I think this committee will be pleased to know that one-third of the cash that was contributed to CARE last year was for self-help programs; plows, handtools, and medical equipment, to help the people to help themselves.

#### CARE PROGRAM

Senator ELLENDER. Do you know what the contributions are now?

Mr. CAMPBELL. With the \$71½ million last year—with the help of the U.S. Government, we were able to stretch to distribute about \$40 million worth of relief goods.

As you know so well, Senator Ellender, and other members of this committee, CARE secures surplus agricultural commodities and dis-



tributes them in about 26 countries of the world and supervises distribution right to the actual point of consumption of the goods so that they do not compete in any way with American markets for agricultural goods.

Senator ELLENDER. What proportion of the CARE contribution is furnished by the U.S. Government?

Mr. CAMPBELL. The only cash comes from our contributors, Senator; that is nongovernmental people. That is \$7½ million.

Then we secure from the Federal Government the commodity at Commodity Credit.

The ocean freight is reimbursed through CARE after we have paid it.

#### OCEAN FREIGHT

Senator ELLENDER. That ocean freight is reimbursed from the Treasury of the United States?

Mr. CAMPBELL. That is right. So that actually the Government's contribution makes it possible to stretch this \$7½ million voluntary contribution to actually do about \$40 million worth.

Senator ELLENDER. In other words, the Federal Government contributes the difference between \$40 million and \$7½ million?

Mr. CAMPBELL. I don't think you can look at it that way. We, through the people who contribute a dollar or \$10 to CARE, make it possible to use this agricultural surplus in a way that the Federal Government, acting just as a government, could not do as effectively. So it is a cooperative enterprise between the local contributor and our organization and the Federal Government.

Senator ELLENDER. I am not questioning it. I am just trying to find out how much is really being furnished by us.

When I say "us," I mean the "Government."

Mr. CAMPBELL. Something over \$26 million worth of agricultural commodities measured at market.

Senator ELLENDER. And the freight?

Mr. CAMPBELL. And the freight, that is right.

Senator ELLENDER. That amounts to about \$2 million?

Mr. CAMPBELL. That is right. This, I feel, is one of the finest examples of cooperation between Government and nongovernmental organizations in doing the job overseas.

#### STAMP PLAN

We would like to associate ourselves also with a statement made by an earlier witness on the importance of using these agricultural commodities through Public Law 480. We are pleased with the House action yesterday in adding a stamp plan for additional domestic use of our agricultural surpluses.

To get back to our specific points, we are strongly in support of appropriating the full amount authorized by the House and Senate in the authorization bill as enacted and signed by the President.

#### TECHNICAL ASSISTANCE

We are particularly interested in two items which were cut in the House. One is the cut in the technical assistance funds. We feel that this use of American agricultural experts, educational experts,

health experts overseas are some of the very important things that we are doing and we would like to see the full amount.

That would be restoration of \$25½ million.

#### DEVELOPMENT LOAN FUND

One of the other important points we look upon favorably is the Development Loan Fund. We supported the Fulbright amendment, so you know how all-out we are in support of the Development Loan Fund.

We would like to recommend that the committee appropriate the \$700 million this year as recommended by the President and the \$1,100 million as authorized in the authorization act for fiscal year 1961.

We would like to point out a few other things. The authorization for refugee year, for the health program, and specific programs for education and training, we feel, are of vital importance.

We would like to see the International Development Advisory Board come back to its full status in advising the Government, providing a channel for nongovernmental participation in some of these matters.

I would like to make one correction, if I may.

#### U.N. TECHNICAL ASSISTANCE PROGRAM

There was no chance for research between the time when Senator Ellender raised the question about the U.N. technical assistance program, but one of my associates did have a copy of the earlier hearings on the Mutual Security Act and in it on the matter of the U.N. technical assistance, Senator, the Assistant Secretary of State in Charge of United Nations Affairs, said that the actual contribution of the United States is about 40 percent a year. This started out with the United States contributing more than 60 percent to the U.N. technical assistance.

In 1956 the contributions of the other countries passed the contributions of the United States and now it runs about 60-40, with the 60 coming from the other countries.

We share your feeling that these other countries ought to be encouraged to do the maximum they can and we were delighted to see that measured in terms of national income. Little Denmark, Netherlands, and Norway are ahead of the United States in their contributions—measured in terms of their national income—toward the U.N. program.

This does not take into account, of course, the fact that the United States has its own program going, too; but it is an indication that these other countries believe in the program and are willing to contribute to it.

I think there has been an encouraging trend of increased participation by the other countries.

One final word in conclusion.

#### SPREADING AMERICAN IDEAS ABROAD

The mutual security program, we feel, should sell American ideas overseas and help create institutions over there that will keep going long after we cease our mutual aid program.

I think we need to help build democratic institutions—farm organizations like the American organizations, labor organizations, cooperatives such as our own—and let people get together and have a continuing body through which they can help themselves.

We feel that the encouragement of the development of these democratic economic institutions in those countries is just as important as the money itself, because the day may come we have to withdraw from our mutual security program. When that comes, the kind of institutions that are characteristic of America, particularly of American agriculture, ought to be there to carry on. We would certainly urge that.

Chairman HAYDEN. Thank you for your statement.

#### MILITARY ASSISTANCE

Senator ELLENDER. I notice you and other witnesses have not mentioned anything about military assistance. As you know, some of us have been opposed to these large amounts being made. I want to know how you feel about military assistance.

Mr. CAMPBELL. Well, my own situation and the situation of our own organization is that while we are very enthusiastic about the economic assistance program, we are not really competent in the military field and we do not testify before the Military Affairs Committee. We tend to depend upon the testimony of the people who are competent in that field, and have gone along with the total package of economic and military foreign assistance.

Our own feeling, however, both organizationally and personally, is that we would be better off if we had these in two packages and could look at the economic aid program in one package and carefully, and have the military aid in another package.

I would like to see two bills come before this committee so that they would be given careful scrutiny.

There is a bit of feeling on our part that the people of the United States are a bit bewildered about foreign aid because they think that foreign aid means economic aid and the economic aid is only the minority part of the foreign aid program.

So we would like to see them split apart and we do not look upon ourselves as experts in that field.

Chairman HAYDEN. Thank you for your statement.

(The statement referred to follows:

The Cooperative League of the U.S.A. is pleased to have this opportunity to present its point of view on the mutual security appropriations for 1959.

I am sure that most of the committee members know the cooperative league and its work. It is a national association of consumer, service, and purchasing type cooperatives. More than 13 million American families are members of cooperatives affiliated with the league. These are consumer, farm-supply, petroleum, electric, insurance, credit, housing, and medical-care cooperatives.

The Cooperative League is intensely interested in America's overseas responsibilities. The organization is active in support of U.S. governmental programs in this field, but also believes in it so intensely that we are financing our own overseas program. We support our own technical experts serving in India, Vietnam, Laos, Cambodia, Italy, and other countries, helping people to help themselves through the organization of cooperatives. We also share with 26 other national organizations the ownership and direction of the Cooperative for American Relief Everywhere, popularly known as CARE, which has an increasing program of self-help supplementing its great relief program.

Our organization feels that the mutual security program is a vital part of American foreign policy and strongly recommends that the committee appropriate the full amount which was authorized in the Mutual Security Act of 1959. While we are not experts on every aspect of the program which is before you, we have followed the developments in the foreign aid field very closely for many years and feel that the requests made by the administration this current year were modest and constructive, and that the Congress would be furthering our national interests and international responsibilities by appropriating the amount approved by the two Houses of the Congress in the Mutual Security Act.

The Cooperative League is particularly concerned about two substantial cuts which were made in the appropriations bill as it passed the House of Representatives. The first of these was a cut of \$25.5 million in the funds appropriated for the U.S. technical assistance program. This program has been the most constructive and effective of all of our foreign aid programs. It provides U.S. personnel and American know-how to help people in the less-developed countries to help themselves. The chosen fields—agriculture, health, education, public administration and other services—are of great importance to these newly developing countries. We strongly urge that the Senate restore the full amount requested by the administration and authorized by the Congress for this vital work.

The second disastrous cut was one made in the appropriations for the Development Loan Fund, reducing to \$550 million the \$700 million requested by the administration and authorized by the Congress.

The Development Loan Fund is an important instrument to move our foreign aid program as rapidly as feasible to a loan program rather than a series of grants. Although it is only a few years old, it has already made a number of very constructive loans and has requests before it, carefully screened for feasibility, which could use at least the amount authorized for this current year.

To indicate our enthusiasm for the program we would like to point out to this committee that we gave our full support to the Fulbright amendments to the Mutual Security Act which would have authorized \$1.5 billion a year for 5 years, with the funds coming directly from the U.S. Treasury without further appropriations.

We feel that the magnitude of the need and the practical possibilities ahead are such that the Fulbright formula was not only practical but necessary to meet our growing opportunities in the international development field.

The cut in the Development Loan Fund is particularly severe because it cuts a new and very constructive foreign program below the present level of operation attained this year. The cut strikes a blow at continuity, which is essential to give the lesser-developed countries an opportunity to build their standard of living and their economies. As you will remember, the original request by the administration was very small indeed. The Senate Foreign Affairs Committee reported a bill which would have provided \$5 billion over a 5-year period. This was first compromised to \$2 billion, and finally was cut to \$700 million for the first year and \$1,100 million for the second year. This, we feel, should be the lowest minimum appropriation. The Development Loan Fund holds a greater potential in giving the free world an opportunity to be free than almost any other single institution.

Some of the other cuts in the "Mutual security" appropriation are very unfortunate. We would like to point out, for example, that the \$51 million cut from the defense support program is actually a cut in the funds which make it possible to import basic commodities essential for the normal operation of those economies. Many of these are products imported from the United States. In Turkey, for example, the money was scheduled to be used for motor vehicles and parts, chemical and steel products, agricultural and industrial machines. In Pakistan the funds are for the same type of material, plus metal, wools, chemicals and drugs, petroleum, rubber and rubber products. While this is called defense support, it is actually economic assistance for the basic economy.

In Vietnam, as another example, funds for defense support go for rebuilding the transportation system, public works, highways and bridges, the dredging of canals, improvement of rice production and other important steps which strengthen the economy. The cut in special assistance of \$47.5 million eliminates the possibility of moving forward on essential projects such as irrigation, ground water development, highway construction and maintenance, and public works.

There are a few other matters to which we would like to draw the attention of the committee. These include an authorization to use \$10 million as the U.S. share of International Refuge Year; up to \$2 million in health programs, plus funds specified for the education and training of people in the underdeveloped areas and for machine tools and other equipment for use overseas. We feel that the action of the House in prohibiting the use of ICA funds for these purposes was ill-advised. The projects are all greatly worthwhile and are certainly within the scope of the mutual security program. While the possibilities are that only part of these funds will be used, the prohibition would make it impossible to even start these programs.

A very important aspect of mutual security is the possibility of citizen participation in advice and counsel. The International Development Advisory Board is one of the devices through which representatives of important national organizations can become completely familiar with the operations of the program and bring to the administration advice and counsel which could be of very great value. For this reason, we strongly support the restoration of \$431,000 to reestablish the IDAR and to strengthen the coordination of the mutual security program.

The House cut of \$2.7 million in administrative funds will curtail the recruitment program for technical assistance specialists for work overseas. It will also prevent an important move to strengthen the mutual security program in Latin America and Africa where it is still small and its expansion is very badly needed. Another small, but important, item is \$500,000 for a disarmament study by the executive department. When and as the economic cost of armament is lifted, we should be prepared for the adjustments which will be essential as we move from a cold-war to a peace-time economy. As resources become available, we should meet opportunities both at home and abroad which are not now possible.

In general terms the Cooperative League feels that the mutual security program can reach its maximum effectiveness only if there is sufficient continuity for long-range planning and only if the program is large enough to have an impact on the world situation. We feel that there should be an increasing emphasis on loans rather than grants in the economic cooperation field; that we should use multilateral machinery such as the specialized agencies of the United Nations for action wherever possible to supplement the work of our own U.S. economic assistance program. Finally, we feel that every possible effort should be made to stimulate the development of democratic economic institutions in the countries we are serving with our economic aid program. Only when we help build farm organizations, educational groups, cooperatives, credit unions, purchasing and marketing associations, self-help housing programs and other institutions of this kind will we achieve the maximum effectiveness necessary in developing institutions which will give continuing life and vigor to their economies long after the United States has withdrawn from this field.

In closing we would like to illustrate the basic reasons why America has a great responsibility in this field. Perhaps the best way to drive home this need is to quote from a distinguished Protestant minister, Dr. Henry Smith Leiper, who had the following to say when he completed 25 years of service in the foreign field.

"If in imagination we compress the present population of the world, now over 2½ billion, into a group of a thousand persons living in a single town, the following is the picture of contrasts we would then vividly see.

"Sixty persons would represent the U.S. population; all others would be represented by 940. The 60 Americans would have half the total income of the entire town; the 940 would share the other half.

"Thirty-six of the Americans in the town would be Christian church members; and 24 would not. In the town as a whole, about 300 would be Christians and 700 would not. At least 80 persons in the whole town would be believing Communists and 370 would be under Communist domination.

"Three hundred and three persons in the whole town would be white; 697 would be nonwhite. The 60 Americans would have an average life expectancy of 70 years; all the other 940 would average under 40 years.

"The Americans would have 15½ times as much wealth per person as all the rest on an average. They would produce 16 percent of the town's total food supply, eat up all but 1½ percent of that total supply and keep most of it for their future use in expensive storage equipment. When it is remembered that most of the 940 non-Americans in the town would always be hungry and never

know quite when they would get enough to eat, the situation created by this disparity in food supply and the existence of vast reserves becomes fairly apparent, particularly in view of the fact that the Americans already eat 72 percent above the optimum food requirements. They could actually save money by giving away excess food because of the cost of storing it; but they think that would be a dangerous giveaway program of softheaded do-gooders.

"The 60 Americans would have of the town's total supply 12 times as much electric power as all the rest; 22 times as much coal; 21 times as much petroleum; 50 times as much steel, and 50 times as much in general equipment.

"The lowest income groups among the 60 Americans would be better off than the average in much of the rest of the town.

"Literally most of the non-American people in the town would be poor, hungry, sick, and ignorant. Almost half would not be able to read or write.

"More than half would never have heard of Christ or what He stood for. But very soon more than half would be hearing about Karl Marx.

"In view of these facts it is interesting to think that the average Christian American family would be spending \$850 a year for defense in force, and less than \$3.50 a year to share with the rest of the people in the town the knowledge of why there is any Christmas."

The Cooperative League of the U.S.A. represents 13 million members who are typical American citizens. We do not feel that the mutual security program is a dangerous giveaway program of softheaded do-gooders. We feel that each dollar invested in our mutual security program is a dollar invested in the soundest of all investments—a free, safe and peaceful world.

#### U.S. COMMITTEE FOR REFUGEES

### STATEMENT OF EDWARD B. MARKS, EXECUTIVE DIRECTOR

#### GENERAL STATEMENT

Chairman HAYDEN. Edward B. Marks, executive director of the U.S. Committee for Refugees.

Mr. MARKS. Senator Hayden, members of the committee, I am Edward B. Marks, the executive director for the U.S. Committee for Refugees.

I appreciate the chance to appear before you today on behalf of the chairman, Dean Sayre, and the members of the committee.

We are an independent citizens group consisting of private individuals who are concerned with the extent and gravity of the refugee problem in the world and on our board of directors are represented elements of business and labor and the principal voluntary agencies working in this field, CARE, religious agencies, American Red Cross, and others.

#### WORLD REFUGEE YEAR

We are particularly concerned to day with the matter of the provision in your bill which calls for a \$10 million special Federal appropriation for World Refugee Year which is in line with the original recommendations of our committee, and which we support.

We feel that it is incumbent on the United State to show leadership among nations in realizing the potentialities of this year which can do so much to bring some of the refugee problems in the world off dead center.

Of course, we recognize that it would be impossible in any single year, however intensified the effort, to solve the problems, but we are convinced that the proper efforts can advance many of these problems toward permanent solution.

Of course, there are various problems. There are 2½ million refugees who are of international concern in Europe, Asia, north Africa, and the Middle East, that merit our attention, in some cases to be helped to move to other countries, in other cases to be integrated where they are.

I think that there is a belief in the United States that most of the world refugees are bent on immigration to the United States.

We have recommended for admission to the United States a reasonable number of refugees under suitable sponsorship, including orphans and a fair share of more difficult to resettle cases, but we recognize that very few refugees in the world today are actually regarding U.S. immigration as a practical possibility or even an objective.

So the main purpose of this appropriation would be to help the refugees where they are and we feel that as Americans we should share in that responsibility of helping them.

I might say that another myth about refugees is that many of them are old and handicapped.

#### REFUGEE CHILDREN

As a matter of fact, almost half of the refugees with whom I have spoken are children who need the very elements of life which can train them for useful productive existence wherever they may be.

While our readiness to help refugees may rise initially from our humanitarian impulses and our American tradition, we should also be aware that unsolved refugee problems can contribute in a very real way to world tensions that can affect our U.S. appropriations for economic or military aid.

In our view it is generally wiser and less expensive in the long run to spend money in anticipation or accomplishment of permanent solutions, than it is to have refugees indefinitely languishing in limbo and different parts of the world on the charity of an asylum country or as recipients of an international dole.

Happily, the cost of achieving some of these solutions is small very often, the price of an artificial limb, of a small business loan, of a year's vocational training, of what we call key money in Europe, the possibility of renting a place which is only possible if a small amount of money is given to get possession of the apartment.

These are very small needs in comparison with some of our expenditures for other purposes in this day.

#### ESTIMATE OF FUNDS REQUIRED

The United Nations High Commissioner has estimated that for \$3½ million the 25,000 refugees who are still in camps in Europe could be helped to leave and the camps could be cleared even within this year of 1960.

There are other instances where small funds are needed for reestablishment purposes and there are some instances where emergency funds are needed.

#### ALGERIAN REFUGEES

For example, in the case of Algerian refugees, some 230,000 of them, who have gone into Tunisia and Morocco. There is need to supplement the surplus food which they do get now, but there is very little else

which is going to them and they are in very dire straits, living in huts made of mud and twigs, mostly in the mountain areas.

If this appropriation is voted and the money is spent we feel that many self-help projects and other worthy projects can be initiated for refugees and we have suggested in the paper which I would like to submit an allocation of that sum to the principal areas, and we have indicated the needs, the basic needs, which we feel should be met.

We respectfully urge the passage of this item with a strong indication to the executive that the sum be utilized as an earnest of American intentions in World Refugee Year.

Thank you very much.

#### PREPARED STATEMENT

Chairman HAYDEN. Thank you for your statement, sir. Your entire statement will go into the record.

(The statement referred to follows:)

My appearance before your committee is witness to the strong conviction held by Dean Sayre and the others of our U.S. Committee for Refugees as to the importance of the provision in the mutual security bill calling for a \$10 million special Federal appropriation for World Refugee Year.

Our Government's cosponsorship of the United Nations resolution makes it incumbent upon the United States to show leadership among nations in realizing the potentialities of this year when dramatic interest is being focused on world refugee problems. We are not alone in this—56 countries have pledged their support for the year, including a number of governments which have pledged financial aid, agreed to admit new refugees, or in other ways offered assistance.

It would be idle to suppose that the world's refugee problems could be solved in a single year, however intensified the effort. But valuable progress can be made in solving some problems and in advancing permanent solutions for others.

For there is no one refugee problem, but a variety of problems involving some 2½ million refugees of international concern in Europe, Asia, North Africa, and the Middle East that merit the attention of the free world. In some cases refugee resettlement to another country is the indicated solution; in others, refugees need to be helped in becoming integrated where they are; in still others, while the ultimate solution is bound up with political events, time can be gained in preparing the refugees for their ultimate reestablishment wherever it is to be.

If these special efforts are to be successful, we must try to overcome some of the stereotypes about refugees that people have in their minds. In the case of the United States, one of the chief myths to spike is that most of the world's refugees are bent on immigration to our shores. Our committee has recommended the admission to the United States of a reasonable number of refugees under suitable sponsorship, including foreign orphans and a fair share of more difficult-to-resettle cases, but we recognize that very few of the refugees in today's world regard U.S. immigration as a practical possibility, or even an objective. In all probability, only token numbers of the million Chinese refugees in Hong Kong will ever reach our shores. The same applies to almost a million Arab refugees, and to over 200,000 Algerian refugees now in Tunisia and Morocco; also to those latest refugees, the Tibetans streaming into India.

The problem in many cases is to help these people where they are. Having fled from their homes they desperately want to become reestablished. We as Americans must share in the responsibility of helping them.

A second myth is that most refugees are handicapped in some way—aging or sick. This is of course true of some, but the vast majority are sound, employable adults or children. Depending upon their location, from one-third to one-half of all refugees are children. Many were born in camps and have lived all their lives in refugee status.

About half of today's refugees are victims of communism. The rest owe their existence to birth pains attending the growth of new countries. Whatever were the events that caused their plight, these refugees yearn to shed their statelessness and "belong" again. If this wish is too long frustrated, unrest may result. It is an ironic cycle. The dolorous events of our time create certain



problem areas; these produce refugees who flee to new areas, and unless we act decisively, these new refugee areas may in turn give rise to their own tensions.

While our readiness to help refugees may in the first instance arise from humanitarian impulses, we should be aware that unsolved refugee problems can contribute in a real way to world tensions that can affect U.S. appropriations for economic and even military aid. In our U.S. Committee's view it is generally wiser and less expensive in the long run to spend money in anticipation or accomplishment of permanent solutions than it is to have refugees indefinitely languish in limbo either on the charity of an asylum country that can't afford them or as recipients of an international dole.

Fortunately the right dedication of will even during this single intensified year can help in advancing solutions for a considerable number of refugees. And happily the cost of achieving some of these solutions is small—the price of an artificial limb, of a small business loan, or a year's vocational training in Hong Kong or the Middle East, of "key" money in Europe—these are minuscule in comparison with some of our expenditures for other purposes in this day and age.

The United Nations High Commissioner for Refugees estimates that if \$3,500,000 can be made available, the refugee camps in Europe can be cleared this year. The expenditure of a comparable sum could make possible the escape from China of the remaining thousands of Europeans who have been trapped there since the end of World War II. Exit permits, and visas for Australia, Brazil, and other countries are available, if funds can be provided for their transportation through Hong Kong to final destinations. In Hong Kong itself, funds for housing, education, vocational training, small business loans, and health facilities could work miracles in snatching thousands of Chinese refugee families from their present sordid state and restoring their independence and dignity. A final example relates to the Palestine refugees. Under its grants program, UNWRA enabled more than 7,200 refugees to set themselves up in productive lives—and get off the Agency's relief rolls—at the low cost of less than \$400 per person. Unfortunately this U.N. program had to be discontinued 2 years ago because the U.N. Agency did not have sufficient money to meet both relief and rehabilitation expenses—and relief, which provides such bare essentials as food and shelter—had to have priority.

If the \$10 million appropriation requested for World Refugee Year is voted by the Congress—and the money is spent—many self-help and similarly worthy projects can be initiated for refugees in all parts of the world. While the funds would of course be spent at the President's discretion, the attached table delineates the main problem areas, principal basic needs, and a suggested allocation of the \$10 million to the relevant intergovernmental, U.S. Government, and voluntary agencies. Our committee respectfully urges the passage of this item with a strong indication to the Executive of the desire of Congress that the sum be utilized for this purpose during World Refugee Year.

*Recommendations of U.S. committee for refugees for U.S. Government appropriation  
of \$10,000,000 in world refugee year*

| Problem area   | Basic needs  | Suggested allocation  |
|--|--|---|
| 1. Europe:<br>A. 30,000 foreign refugees still in camps in Austria, Germany, Greece, and Italy.  | Housing, vocational training, small business loans, aid for the aged and infirm, staff counseling, and resettlement assistance. Object: To clear the camps by the end of 1960. | \$2,000,000, chiefly to UNHCR and USEP.   |
| B. 100,000 unsettled "out of camp" refugees in Austria, Germany, Greece, Italy, Belgium, France, Netherlands, and Turkey.  | Housing, medical assistance, small business loans and aid in resettlement.   | \$1,000,000, chiefly to UNHCR, USEP, ICEM, and cooperating voluntary agencies.  |
| 2. Middle East: 1,000,000 Arab refugees on UNRWA's dole in United Arab Republic, Lebanon, and Jordan. 400,000 these are in camps—all require continuing assistance pending a political solution. | Expansion of vocational training facilities, grants for self-support, supplementary aid for children's education, etc.   | \$2,000,000 to UNRWA.   |
| 3. North Africa: 230,000 Algerian refugees, mostly women and children, who are living under extremely primitive conditions in Tunisia and Morocco.   | Clothing, medical supplies, soap, tents, olive oil, and a wider variety of food (they are presently living mainly on U.S. surplus wheat and dried milk).                       | \$1,000,000—UNHCR and League of Red Cross Societies.  |
| 4. Asia:<br>A. 1,000,000 refugees from the Chinese mainland who live in densely overcrowded and poverty-stricken conditions in Hong Kong.  | Housing, small loans, construction of elementary and vocational training schools, hospitals for children and TB patients.  | \$2,000,000—British Crown Colony (in answer to UNHCR appeal).   |
| B. 9,500 European refugees on the Chinese mainland—many have visas for Australia and Latin America and for the present can qualify for exit permits.   | Transportation funds to aid the Intergovernmental Committee for European Migration (ICEM) in resettling these refugees while it is still possible for them to leave.           | \$1,000,000 to ICEM.  |
| 5. Elsewhere: New Tibetan refugees in Nepal and India, Chinese refugees in Macao and southeast Asia, refugees from Nasser's Egypt, etc.  | Money is needed for food, clothing, shelter, and medical supplies; also, funds to assist voluntary agencies aiding in resettlement.  | \$1,000,000 to Indian, Portuguese and other governments supplying asylum; also to voluntary agencies assisting in these activities. |

## NOTES

UNHCR—United Nations High Commissioner for Refugees.

UNRWA—United Nations Relief Works Agency.

ICEM—Intergovernmental Committee for European Migration.

USEP—United States Escapees Program.

**STATEMENT OF HERBERT JEHL, PHYSICS DEPARTMENT,  
GEORGE WASHINGTON UNIVERSITY**

**GENERAL STATEMENT**

Chairman HAYDEN. Mr. Herbert Jehle, of the physics department, George Washington University.

Mr. JEHL. Mr. Chairman, I would like to have my statement included in the record.

Chairman HAYDEN. That may be done.

Mr. JEHL. I am from the University of Nebraska and from George Washington University, professor of physics, but I am speaking on my own, not on behalf of the institutions.

I would like to ask the committee to consider the appropriation bill in view of the world in the year 1970. I would like to raise the question as to what we could do to make the world of 1970 a livable world.

The National Planning Association has made a study, "A World Without Arms Control in 1970." This is a pamphlet obtainable from the National Planning Association. It gives an analysis of the situation we will drift to if our present policies of threat of nuclear war are continued.

In the past century the United States has been the leader in making the world progress to a peaceful and to a livable place, to a place of democratic institutions, and I mean democratic institutions, really something which works. Sensible new views have been incorporated in the laws and in the life of a nation. I would say the challenge now before us is whether these views can be incorporated in the life of the world.

In the present foreign aid program we have two entirely distinct items. One of them concerns constructive items which have been so ably elaborated upon and commented upon by our previous witnesses this morning. I cannot in a short few minutes dwell further on these excellent programs of Development Loan Fund, technical assistance, and related programs. I wish to say only that my heart is attached to them.

**NUCLEAR ARMS RACE**

However, my profession as a theoretical physicist has brought me very closely to an awareness of the situation which the present nuclear-arms race will present to us.

There is no possibility of our world continuing and the United States continuing if the present status of the arms race continues. Our children, our friends, and everything dear to us will perish.

I say this not just as an individual, but this statement is held by most of my colleagues.

The principal tasks before us at this present moment therefore are the control and reduction of armaments, and to stop the distribution of nuclear-weapons systems to many foreign countries.

To implement these tasks, two amendments have been suggested to the present mutual security appropriations bill. One was brought before us by Senator Humphrey, who recommends the study of arms control by the executive branch of our Government, and recommended \$500,000 to be allocated for that purpose.

The second concerns the question whether it would not be advisable to put a specific amendment in this bill which would prevent funds in this bill from being used to supply foreign countries with the nuclear weapons systems.

If we can prevent the spread of nuclear weapons systems to other countries, we may be able to halt and to stall the nuclear arms race. Particularly we should attempt to stall it before strange new nuclear powers arise, such as the Chinese or some other dictatorial countries which may produce nuclear weapons in the coming decade.

We ought to find time to take this matter under careful consideration and let no short-range military expediency seal the fate of our children.

#### PREPARED STATEMENT

Chairman HAYDEN. Thank you, sir, for your statement. The information you have submitted may be included in the record.

Mr. JEHLE. Thank you.

(The information referred to follows:)

[From the New York Times, Aug. 7, 1959]

#### TO LIMIT NUCLEAR PACTS—VOTE BY BOTH SENATE AND HOUSE ON TRANSFER AGREEMENTS PROPOSED

The writer of the following letter is professor of theoretical physics at George Washington University

TO THE EDITOR OF THE NEW YORK TIMES.

On July 26 the transfer agreements for nuclear weapons systems with Germany and other NATO countries went into effect. This momentous step in the history of the nuclear arms race, providing for an irreversible spread of the nuclear weapons potential, passed Congress.

The opposing resolutions had been endorsed by Congressmen William H. Meyer, Edith Green, Randolph S. Harmon, Byron L. Johnson, George McGovern, Clement W. Miller, Roy W. Wier and Leonard G. Wolf. It was only on the occasion of authorization of appropriations for such transfers that these Congressmen with Charles E. Bennett and Frank Kowalski succeeded in having the matter brought on the floor of the House. Out of 198 Congressmen, 61 objected to allocating funds for the transfer agreements.

The transfer of "nuclear weapons systems" will mean the nuclearization of the respective NATO armies. Nuclearized armies are useless without the possession of nuclear warheads. The wholesale transfer of nuclear weapons systems will therefore soon put the United States into the predicament of being cornered into surrendering nuclear warheads to these foreign military establishments, or seeing them make an extra effort to produce weapons-grade plutonium themselves, or even seeing them obtain it on a nuclear black market.

These transfer agreements make other countries doubt whether the United States is seriously trying to preserve peace, while at the same time a great many more military establishments are given a chance to start world war III. In fact, the transfer agreements play thus into the hands of the most suspicious and irreconcilable men in the Kremlin—and at the same time into the hands of the worst men in Bonn.

#### INTERNATIONAL ACCORD

These agreements actually amount to much more than a treaty.

The fate of the United States and of the world hinges upon whether an international accord can be reached—under United Nations auspices and control, as repeatedly urged by W. Sterling Cole, U.S. director general of the International Atomic Energy Association—an accord which has the effect of curbing the spread to more and more countries of the possession of nuclear weapons. The present transfers achieve the opposite.

Some Members of Congress have argued that it makes no difference whether some European countries develop their own nuclear weapons or whether we sell them to these countries. This argument touches an important point. It seems

to the present writer that the cardinal issue of the nuclear age is the moral responsibility for the nuclear holocaust which threatens us all. Every country preparing nuclear weapons and, still more so, every country which spreads these weapons over the globe becomes guilty of the eventual nuclear avalanche whose actual start will be more or less a matter of accident—technical or diplomatic or by communication default.

The practical steps which should be taken now are, on the negative side, to see to it that the United States is not going to surrender in due time nuclear weapons to complete the weapons systems. If the administration is made aware of the fact that the American public will not stand for such a surrender, our administration might go slow in the actual transfer of nuclear weapons systems. So we may, for quite some time, be spared an irreversible conversion of NATO armies entirely dependent on nuclear weapons systems—plus nuclear weapons.

#### CONGRESSIONAL VOTE

On the positive side—and this seems to be most important in the long run—a revision of the July 1958 amendment of the Atomic Energy Act (Public Law 85-479) should be introduced. Pacts of the type represented by transfer agreements of nuclear weapons systems (if they are made to be looked upon as not having the character of actual treaties) should at least fall under the category of Executive agreements which become effective only if approved by affirmative votes of both houses.

Furthermore, they should go through the Foreign Relations and Foreign Affairs Committees. The present veto provision with a time limit of only 60 days has proved an easy way by which the Joint Committee on Atomic Energy itself can bring such far-reaching agreements into effect, which is ill considered for an issue which implies basic foreign policy decisions.

It would be good if we would stop hanging our fate on straws of unrealistic policies of short-sighted expediency. Rather we should remember that the United States was founded by men whose conscience and concern for humanity gave new life to the Western World.

HERBERT JEHLE.

WASHINGTON, July 31, 1959.

[From the Christian Science Monitor, Boston, July 18, 1959]

#### A QUESTION OF ATOMIC ARMS

##### TO THE CHRISTIAN SCIENCE MONITOR:

Under an amendment to the Atomic Energy Act agreements for cooperation on the uses of atomic energy for military purposes have recently been concluded with the Governments of Great Britain, France, Canada, Germany, the Netherlands, Turkey, and Greece. Under the law Congress may, before July 19 and 26, pass a concurrent resolution stating that it does not favor these proposed agreements, in which case the agreements shall not become effective.

Such action by Congress would be desirable. It is fortunate to know that the Joint Committee on Atomic Energy will hold hearings to consider this question.

It is said the proposed distribution of weapons delivery systems would save our allies needless expense and effort, and would strengthen the morale of the military establishments of the NATO countries. This argument for transfer agreements fails to convince because it refers to the case of a war actually occurring. In that case a Germany possessing nuclear weapons will be but a radioactive heap of rubble. This kind of argument, concerned about military morale in the event of a nuclear war, fails to face the catastrophe implied by these kinds of weapons.

It is argued that failure of the United States to enter such agreements would only enhance independent development of nuclear weapons by these countries, in which case the United States would have no control over such emerging nuclear powers. It is assumed that under the proposed agreements the United States would retain control over the nuclear weapons in the NATO countries. The following fact should, however, be recalled: 18 leading German nuclear physicists went on record refusing to participate in the research on nuclear weapons development simply because they consider that a suicidal policy. Restraint by the United States in providing the German Army with nuclear weapons systems would, under such conditions, make the establishment of a denuclearized

central Europe possible provided, as seems likely, that the Soviet Union would then also refrain from supplying its satellite governments with nuclear weapons systems.

It is argued that the proposed agreements are only the natural and logical sequels of the NATO defense concept and cannot be considered apart from this context. But it has to be pointed out that the issue under discussion concerns long-range agreements which permit termination only by agreement by both parties—e.g., Germany and the United States. In due course, a few years from now, or at the time of an international crisis, the German Military Establishment will be in a position to demand nuclear warheads. The agreement would increasingly chain the United States to an outmoded policy of threat by nuclear retaliation.

In international life we talk about a nuclear deterrent, implying a state of mind which is both cause and consequence of the avalanche of nuclear arsenals which hang over us. Does that deterrent bring what it is supposed to bring; an enforced peace? In the past, an arms race, the effort to maintain an imagined balance of power, has usually led to war. The best that can be said about the nuclear deterrent comes from E. B. White (in the *New Yorker*): "The bomb has given us a few years of grace without war and now it offers us a millennium of oblivion."

The core of the challenge to our foreign policy is this: Do we have the moral vigor to stop this criminal race? We can stop it only if we have the integrity to refuse to be ready to do by remote control what no sensitive human being could do with his own hand: to bring untold suffering and obliteration to innocent children. We need to stop and think about the consequence of our policy and of our handiwork.

We need to develop nonviolent techniques to resolve areas of conflict. We need to concentrate our efforts on negotiation and arbitration through the United Nations, leading to a system of world law. The International Court at The Hague has, in its early days, settled many an international conflict. We need to begin world disarmament now by a first step agreement to end all nuclear weapons tests.

We need to break the missiles race now while it is still in its infancy, by agreements to missile test cessation. And we need to pour our creative energies and resources into constructive programs of rehabilitation and development to help the suffering people in the world.

HERBERT JEHLE

WASHINGTON.

[EDITOR'S NOTE.—On July 16 this newspaper published an editorial supporting the congressional Atomic Energy Commission's approval of these agreements. It now carries this letter as stating the opposing point of view in a way that merits a hearing.]

[From the New York Herald Tribune, Jan. 22, 1958]

Science—Medicine

**MACHINE'S MISTAKES CAN DOOM WORLD?—JET EXPERT ASSERTS ELECTRONICS MAY DECIDE PEACE OR EXTINCTION**

(By Dr. W. H. Pickering<sup>1</sup>)

Shortly after the end of World War II a popular quip heard around the Pentagon was: The era of pushbutton warfare has arrived—we have the pushbutton. Today, however, we are in fact on the verge of an era of military technology which is fantastically beyond the concepts of a decade ago. We can now equate one pushbutton to one city located anywhere on this planet. For if that pushbutton launches an ICBM, it is all that is needed to destroy the target city.

The ICBM with a hydrogen warhead takes less than half an hour to reach its target. This means that within a few years every city on the globe will be living with a threat of sudden death—its life dependent on one man's action. And that man is not the ruler of an enemy country, but the soldier on guard in an isolated ICBM launching site.

<sup>1</sup> Dr. Pickering is head of the important Jet Propulsion Laboratory, California Institute of Technology. He wrote the following article specially for the Herald Tribune.

The least we can hope is that he is not one of those young botheads who frequently exchange rifle shots across a frontier. But no matter who he is, his decision is the death sentence of the target city.

With this situation rapidly becoming an accepted fact, military strategists have concluded that the only answer is the threat of immediate and total retaliation. Conceptually, the enemy's missiles are detected en route and the retaliatory missiles are launched even before the enemy missiles have reached the targets.

#### DECISION TO DESTROY RESTS ON MACHINE

Thus, even if the launching sites see the targets, destruction of the enemy is achieved. Even after the antimissile missile has been perfected, this basic strategy would be maintained.

Now to attain the capability of instant retaliation the military planner finds himself calling for long-range radar devices, elaborate computers to determine if the radar signal is due to an enemy missile, a friendly airplane or a meteor from outer space, and a complex communication network for alerting the targets and for commanding the retaliatory missiles to be launched.

This is the prospect we face: The decision to destroy an enemy nation—and by inference our own—will be made by a radar set, a telephone circuit, an electronic computer. It will be arrived at without the aid of human intelligence. If a human observer cries: "Stop, let me check the calculations," he is already too late. His launching site is destroyed and the war is lost.

It is a frightening prospect. Far more than being slaves to our machines, our very life depends on the accuracy and reliability of a computing machine in a far distant country. The failure of a handful of vacuum tubes and transistors could determine the fate of our civilization.

#### "HUMAN" CONSIDERATIONS WILL MEAN NOTHING

We have been prone to take comfort in the thought that no nation, no matter what its government, would embark on a war of mutual destruction. Perhaps this is true, but in a few years it will not be the government which makes the choice. The government will be committed to relying on the reliability of some electronic equipment and the skill of a few technicians.

Under these circumstances, if a period of international tension lasts for any length of time, failure of the equipment is almost inevitable and mutual destruction cannot be avoided.

This evolution from the pushbutton era to the automatic pushbutton era is inevitable. And when that day comes, all of the "human" considerations which might stay the hand of a warmonger will mean nothing.

Is there an answer? With the present political climate it is difficult to imagine what it could be. But if the answer is not found in a very few years, there will be no need for the answer because all that is left of humanity will be starting again the long climb from the stone age.

#### UNITED WORLD FEDERALISTS, INC.

### STATEMENT OF NEAL POTTER, MEMBER, NATIONAL EXECUTIVE COUNCIL

#### GENERAL STATEMENT

Chairman HAYDEN. Mr. Neal Potter, national executive council of the World Federalists, Inc.

Mr. POTTER. Mr. Chairman, I assume that the full statement will be printed in the record and this time can be taken for a quick summary.

Our interest in this legislation arises from our interest in a world of law and order as the only means to lasting peace.

While we believe that the instruments of government, properly applied in the international sphere, are the most powerful means to peace, we also recognize that the intolerable conditions of poverty and misery around the world will make law and order very difficult,

either in the present world of anarchy or the world of law and order toward which we are working.

Also we are afraid that continued expansion of communism may take any possibility of a world of law and order with freedom impossible in the world.

#### DRAPER COMMITTEE REPORT

So we have a great deal of interest in an adequate program of defending the free world economically and militarily. We believe that the program should be a good deal larger as the Draper Committee indicated in its report yesterday.

I would like to recommend to the committee that report.

But the size of the program for the coming year is already decided and the problem for this committee, of course, is whether the Nation can afford it. We believe that the answer to that question is clear.

The Nation can afford the small amount that is involved here, less than 1 percent of our national income, and after paying this bill and the 12 times larger bill for our national defense, we will still be the richest nation on earth by a fairly good margin.

We believe that the Nation should afford this program because it is one of the most effective instruments in the area where communism is making its greatest advances, namely, in subversion, in working with the field of discontent. If they can make peoples drive for their national ambitions, for a better way of life, a means to drive them toward communism, we should apply our strength and our ideals to steering them toward real freedom and prosperity.

#### DEVELOPMENT LOAN FUND

However, we feel that the program should be a proper expression of positive American ideals and not just a reaction to communism. We particularly deplore the cuts made by the House in the Development Loan Fund and the technical cooperation program. We believe that these programs are directed toward long-term goals and that the appropriation should be generous and should keep the pipeline, as they say, filled so that these agencies can plan ahead and provide the most effective possible results for the limited funds which we want to dedicate to them.

We are on the other hand very pleased that the House has given the full amount of the appropriation authorized in the case of the United Nations technical assistance because this program is at least a means of drawing other nations into the aid program and providing something in addition to our own.

We are acutely aware of some of the shortcomings and alleged failures of some of these programs, but the conclusions we draw from these charges and true stories is the lesson that is drawn in the case of many failings in the rocket program.

#### ROCKET AND MISSILES PROGRAM

Our rocket and missiles program has had probably more failures and successes, but we know that successes ultimately must come.

The lessons we draw from the appropriations is that we should have more appropriations, more support, we should make it possible to get it out of its difficulties.



We are particularly shocked in this connection at the prohibition made in the House on the use of any funds for International Development Advisory Board, since advice is certainly needed, the special education and training program for the personnel, and for the World Refugee Year, and by its failure to make any additional funds available for the general administrative expenses to supervise this program.

#### DISARMAMENT STUDIES

We would also like to urge the committee to add half a million dollars for studies by the State Department on the possibilities of effective disarmament. We believe that if this can help our negotiators to be successful in their disarmament discussions, it can provide enormous additional funds for the mutual security program because, as the President has often said, this is an area in which we can make savings of which we can devote a fraction to international assistance and increase the security and welfare of the whole world.

#### PREPARED STATEMENT

Chairman HAYDEN. Your statement will be included in the record. (The statement referred to follows:)

Our interest in this legislation arises from our interest in a world of law and order as the only means to a lasting peace. While we believe that the instruments of government, properly applied, are the most powerful means to peace, we recognize that the amelioration of intolerable conditions of poverty and disease will contribute greatly to preserving peace, both in the present world of anarchy and the world of law toward which we are working.

Moreover, we fear that no institutions of world law with freedom can be established if Communist power continues to expand indefinitely; and we believe the mutual security program is a most important contribution to stopping Communist expansion.

As we understand the problem now before the Congress, it is not whether such a program should be authorized, since the authorization bill has already been passed; nor is the size of the program desired still in question. The question before the Appropriations Committee is whether this Nation can afford to spend the amounts authorized.

#### WE CAN AFFORD IT

We believe the answer to this question is clear. The mutual security program, military and economic, including all expenditures and loans authorized for the Development Loan Fund, will take less than 1 percent of the estimated U.S. national income in the year ahead. After paying for this program and 12 times as much for defense, as well as a number of other costly programs, we will still be the richest nation on earth. After producing an unprecedented flow of goods and services for our own people, we will still have nearly 4 million people unemployed. America has ample energies and resources for this job, if it is deemed worth while.

We believe the program is the most valuable, dollar for dollar, of the major expenditure programs of the Federal Government. It is countering the Communist drive in the areas where it has been most deadly. Intolerable conditions of life produce a powerful attraction toward any change which promises improvement. The Communists are using this force to produce changes in their direction. We should be actively concerned to use it to move the backward areas toward freedom, free enterprise, and prosperity, and toward closer friendship with ourselves rather than with those who would snare them with false promises.

However, we do not feel that America should have such a program only because the Communists make it necessary. We should make this a generous expression of our philosophy as a Christian nation. While the world situation seems to force us to large expenditure on instruments of hate and destruction, we should try to balance this with a generous expression of our constructive spirit and our economic strength.

## NEED MARGIN FOR PLANNING

We especially deplore the cuts made by the House bill in the Development Loan Fund and the technical cooperation program. These are among the best long-term efforts to combat the dangers which are so manifest in the underdeveloped areas of the world. Appropriations for these programs should be the most generous, so that there will be some margin to expand or to carry over funds to following years. Without room for flexibility and for advance planning, the programs for economic development will be handicapped. The handicap can only mean less results for any given expenditure of funds.

We are, on the other hand, pleased to see that the funds for the United Nations program of technical assistance have been increased in accordance with the President's request. This program is particularly effective because these funds can be used to draw contributions from other nations to match our own in the annual U.N. pledging conference. Moreover, Communist propaganda to the effect that economic assistance is a veil for "capitalistic imperialism" is completely ineffective when the aid comes through the United Nations, since all nations share in the control of the program, and it has universal support. It is an important means of strengthening the bonds of the world community.

We are acutely aware of the shortcomings and alleged failures of some of the assistance programs. We are grateful to those who criticize in an honest desire to curb waste and to make the programs more effective. But we feel that the lesson to be drawn is not that the programs should be cut, but that more effort—and more money to pay for that effort—should be devoted to making those programs more effective.

## LIKE THE ROCKET PROGRAM

All of us are aware that the rocket program has many failures. But no responsible person suggests that we should therefore cut funds for administration, research, and experiments on rockets. Rather the funds are increased, so that funds, at least, will be no barrier to a program that is vital to our national security.

Assistance to the countries which are the natural targets of Communist influence and even open attack is no less vital to our national security. We believe much greater effort should be directed to making these programs fully effective. We are shocked at the prohibitions made by the House Appropriations Committee on the use of any funds for the International Development Advisory Board, the special education and training program, and the World Refugee Year, and by the failure to make available any additional funds for general administrative expenses.

## URGE FUNDS FOR DISARMAMENT RESEARCH

We would also urge that the committee add approximately half a million dollars for studies by the State Department on the possibilities and requirements of disarmament. We have been extremely sorry to note that no action has been taken as yet to meet this very reasonable but important request from this Department. I believe it was about a year ago that the Senate Subcommittee on Disarmament recommended that these studies be undertaken in the executive branch. We understand that our negotiators at Geneva these past 9 months have been handicapped for lack of adequate information on important points relating to this increasingly complex field. Better information is highly desirable to insure the Nation against unsafe arrangements for disarmament, and to prevent the Communist negotiators from scoring propaganda points; and to present to the world this Nation's true and proper demands for safety as well as its intense interest in disarmament.

If more adequate negotiations can lead to a degree of disarmament, this will release funds which can further strengthen programs of economic development. This is an important consideration which has been brought before the world a number of times by the President and by U.S. representatives at the United Nations; and most recently, by the U.S. Senate, in Senate Concurrent Resolution 48, passed 2 weeks ago (August 6, 1959), which declares it to be the sense of the Congress that—

Upon the achievement of an agreement on the reduction of armaments, which it fervently desires, the United States is prepared to join with other

signatories of the agreement to devote a substantial portion of any resultant savings to expand its works of peace throughout the world. It would be a most appropriate expression of this sentiment to provide funds for studies to improve and accelerate our negotiations for disarmament. The fact that the amount of money required is small makes this effort particularly worth undertaking.

#### SOUTHERN STATES INDUSTRIAL COUNCIL

### STATEMENT OF TYRE TAYLOR, REPRESENTATIVE

#### GENERAL STATEMENT

Chairman HAYDEN. Mr. Tyre Taylor, general counsel, Southern States Industrial Council.

Mr. TAYLOR. My name is Tyre Taylor and my address is 1010 Vermont Avenue NW., Washington.

I appear on behalf of the Southern States Industrial Council, the headquarters of which are in the Stahlman Building, Nashville, Tenn.

The council represents virtually all lines of industry in the 16 Southern States, from Maryland to Texas, inclusive.

#### POLICY ON FOREIGN AID

At its annual meeting held in Williamsburg, Va., on May 14-16, 1959, the council's board of directors unanimously reaffirmed the following statement on policy on foreign aid:

Foreign aid: We do not believe it is possible to buy reliable friends and allies and keep them bought.

We also know from experience that we cannot permanently strengthen our friends or deter our enemies by subsidizing socialism, or aiding communism, both of which we have at times done.

We believe our Government should avoid dissipation of the Nation's resources in impossible attempts to raise the living standards of vast segments of the world's ever growing population. We believe such ill-conceived attempts are foredoomed to failure and, by raising false hopes, make more enemies than friends.

The council therefore favors the prompt and substantial reduction of foreign economic aid, with a view to its early elimination and a continuing review of our policy of military aid.

Consistent with that policy, I should like respectfully to urge the committee to keep the cuts made by the House—in the total amount of \$1,243 million below the administration's request for fiscal 1960, and \$390 million below the House authorization—and, as has so often happened in the past, restore them. Several considerations would seem to support this suggestion:

1. In the first place, and as Congressman Passman said in presenting the bill to the House, and as the council has asserted in its declaration, we cannot buy friends and keep them bought.

The reason for this is very simple, and also very human. If one country is made a recipient, how can others be denied? And if one is given more than another, all recipients then clamor for more.

It is a simple statement of fact to say, as the Citizens Foreign Aid Committee has said, that after nearly 15 years of foreign aid, and after spending \$82 billion on it since World War II, the United States of

America is probably the most universally disliked nation in the whole world.

2. Foreign economic aid is foredoomed to failure by the explosive population growth in the underdeveloped countries.

#### DRAPER COMMITTEE REPORT

Only last month the Draper Committee appointed by the President to study the effectiveness of foreign aid, declared that—

no realistic discussion of economic development can fail to note that development efforts in many areas of the world are being offset by increasingly rapid population growth.

#### PROBLEM OF RAPID POPULATION GROWTH

I shall cite only two examples, both taken from an article by Robert C. Cook, president of the Population Reference Bureau, which appeared, of all places, in the Washington Post of Sunday, August 2, 1959:

The first is India, a major recipient of economic foreign aid—more than one-third of a billion dollars last year—and Mr. Cook says her predicament is typical.

India's second 5-year plan now entering its third year, has, in Mr. Cook's words—

encountered major difficulties because rapid population growth is virtually canceling out all gains in agricultural production, and this, in turn, retards industrial development.

He continues:

Unquestionably, India's death rate will decline in the next 10 years. Unless her birth rate begins to drop considerably by 1975, there can be little hope for an economic breakthrough for India.

The other example is politically volatile Egypt. A recent Cairo dispatch reported that during that country's 5-year industrialization program, new industries will absorb 100,000 workers.

But during the same period, 900,000 young Egyptians will reach voting age. Assuming—and this may be a somewhat violent assumption—that 400,000 of these can be absorbed into agriculture, a surplus of 400,000 will be left to join the ranks of the country's unemployed.

In summarizing, Mr. Cook says—

that the world today is in the midst of an explosion of people the likes of which never before has been seen—

that—

any prolonged continuation of the present rapid multiplication of people could only result in a worldwide crisis—

which no nation could hope to escape.

#### LIMIT TO U.S. FINANCIAL CAPABILITIES

3. Third—and bearing in mind that the administration's request is the largest in history and that Mr. Dillon indicated to the House committee that foreign aid might go on forever—there is a limit to this country's financial capabilities, a limit which, as I shall indicate later, may have already been passed.

## TOTAL PUBLIC DEBT OF OTHER NATIONS

According to figures presented to the House by Mr. Passman, the total public debt of all the nations of the world, including the Communist bloc, but excluding the United States is \$236,457 billion.

The Federal budget has been balanced only five times in the past 27 years; and the last time I looked at our public debt figures, they were over \$289 billion, or \$53 billion in excess of the consolidated public debt of all the rest of the nations of the world.

And this \$289 billion figure does not include contingent liabilities of the Government, variously estimated at from \$200 billion to \$300 billion.

Since 1939, the dollar has lost 52 percent of its value—purchasing power. The erosion since 1950 alone has been 17 cents; and 7 cents in just the 1956–58 period.

## CREEPING INFLATION

It may be noted in passing that the creeping inflation of 1956–58 presented the paradox of prices going up persistently throughout a recession and ignoring the traditional restraints of idle manpower and production facilities and abundance of all kinds.

## GOLD RESERVE

At the beginning of 1958, our gold reserve amounted to \$22.9 billion. During that year alone, \$2.26 billion was taken from us by foreign countries and this trend, together with a rise in imports and a falling off of exports, has continued in 1959.

Since 1950 the dollar deposits in this country by foreign governments have increased from \$3.9 billion to \$8.7 billion.

In addition, foreign individuals and foreign banks now have dollar deposits in the U.S. banks of \$5.8 billion. This total of \$14.5 billion is convertible into gold upon demand.

In other words, 70 percent of our gold reserve is subject to foreign demands—source, International Monetary Fund.

## FUTURE OF AMERICAN DOLLAR

It may be distressing, as he said, but it is hardly surprising that, on a recent trip abroad, Mr. William McChesney Martin, Chairman of the Federal Reserve, found, and I quote—

among intelligent and perceptive men in those countries a growing distrust over the future of the American dollar.

At home, the experience of the Treasury in refinancing outstanding bond issues reveals the same distrust.

As long ago as last September, the First National City Bank of New York was writing in its letter that—

nobody wants Government bonds. \* \* \* The independence of the Federal Reserve cannot survive if the Treasury cannot finance successfully in the open market. The road will be opened to uncontrolled inflation.

The Treasury, recognizing the stark realities of this situation, has asked Congress to permit it to pay increased rates, but one suspects that this is not the end of the story.

Anyway, perhaps enough has been said to establish the fact that, vast as they are, this Nation's resources are not inexhaustible and that we are losing, if indeed we have not already lost, our fiscal sanity in this matter of foreign aid.

#### JUSTIFICATION OF FOREIGN AID

If, as we deeply believe, you cannot buy friends and keep them bought; and if, as the facts would seem to indicate, foreign economic aid is foredoomed to failure in any event because of the exploding populations; and if, as the facts would also seem to indicate, this country is, by any honest standard or accounting, moving straight toward national bankruptcy—if these things are true, how is continued big foreign economic aid to be justified? What possible valid argument can be advanced for restoring the cuts made by the House to the bill?

The argument most frequently heard and apparently most heavily relied upon by the proponents of big foreign economic aid is that somehow it operates to stop, or, at least slow down, the spread of communism.

Let us examine that a little.

The first question that arises is, How do you stop or slow down communism by subsidizing socialism? Except for the ways in which they traditionally come to power—one by popular vote, the other by violence—the two systems certainly bear striking resemblances.

In both, the state owns and operates the means of production and distribution; and both regiment the people.

Thus, and as the Citizens Foreign Aid Committee points out, the \$7 billion which we have contributed to Britain's economic program, directly or indirectly, has helped nationalize the Bank of England; the gas, electric, and coal mining industries; the railways and the canals.

It also assisted Britain to adopt socialized medicine.

It is a much shorter ideological distance from socialism to communism than it is from any free enterprise system to the Soviet way. Or, as the Citizens Foreign Aid Committee puts it:

It (foreign aid) has tended to promote philosophies akin to communism.

And, of course, in some countries, as Yugoslavia, Indonesia, and Poland, we subsidize communism directly.

It is also said that poverty is conducive to the growth of communism. If this is true, which we do not believe, then we submit that no amount of money which conceivably can be wrung from the American taxpayers, would suffice to bring about any significant or meaningful rise in the living standards of the 76 nations which, since World War II, have been recipients of foreign economic aid.

Mr. Passman told the House that:

We cannot improve their living standards by as much as 1 percent, even if we should give away everything we own and treasure.

But it is simply not true that poverty breeds communism. If it were true, Spain and Ireland, most of the Middle East and Africa, to name a few of the areas of the world that have experienced extreme poverty, would have long since gone Communist.

And, coming closer home, our American South was devastated and laid waste during the Civil War. There was no Marshall plan or foreign aid to help it.

But did the South go Communist or Socialist?

No, it didn't.

It went to work.

Thank you, Mr. Chairman.

COMMITTEE RECESS

Chairman HAYDEN. Thank you, sir, for your appearance this morning.

The committee will stand adjourned until Monday morning at 10:30.

(Thereupon, at 12:15 p.m., Friday, August 21, 1959, the committee was recessed, to reconvene at 10:30 a.m., Monday, August 24, 1959.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

MONDAY, AUGUST 24, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden, chairman of the committee, presiding.

Present: Chairman Hayden, Senators Ellender, Monroney, Dworshak, and Allott.

## CIVIL FUNCTIONS—DEPARTMENT OF THE ARMY

STATEMENTS OF MAJ. GEN. A. D. MEAD, CHIEF, CIVIL AFFAIRS, DEPARTMENT OF THE ARMY, ACCOMPANIED BY EDWARD W. O'FLAHERTY, CHIEF, ECONOMICS DIVISION; HENRY WOHL, CHIEF, ECONOMICS AFFAIRS BRANCH; MAYNARD N. SHIRVEN, DIRECTOR OF PLANS AND PROGRAMS, U.S. CIVIL ADMINISTRATION, RYUKYUS; COL. MELVIN T. EDMONDS, DIRECTORATE OF CIVIL ENGINEERING, U.S. AIR FORCE; COL. A. E. DUBBER, SUPPLY DEPARTMENT HEADQUARTERS, U.S. MARINE CORPS, OFFICE, CIVIL AFFAIRS; MAJ. GEN. DAVID W. TRAUB, DIRECTOR OF ARMY BUDGET; R. L. TRACY, LEGAL ADVISER TO THE COMPTROLLER OF THE ARMY; STUART H. D. FREED, BUDGET ANALYST, OFFICE, COMPTROLLER OF THE ARMY; AND MAJ. CALVIN WALL, U.S. MARINE CORPS

### POWER SYSTEM IN RYUKYU ISLANDS

Chairman HAYDEN. The committee will please come to order.

We will consider this morning the appropriation requested by the Department of the Army for the construction of the power system in the Ryukyu Islands and the administration of the Ryukyu Islands.

The reclama will be placed in the record at this point.

I will place also in the record at this point letters from Acting Secretary of the Air Force, Mr. Garlock; Acting Secretary of the Navy, Mr. Bantz, and the Deputy Secretary of Defense, and the Acting Secretary of State, Mr. Parsons.

Also there is a statement citing the basic authority underlying the appropriation for administration of the Ryukyu Islands so that if a



question is raised in the Senate as well as in the House it can be shown that it is undoubtedly in order.

General, you may proceed.

(The information referred to follows:)

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE SECRETARY,  
Washington, August 20, 1959.

HON. CARL HAYDEN,  
Chairman, Committee on Appropriations,  
U.S. Senate.

DEAR MR. CHAIRMAN: I understand that the Department of the Army is requesting that your committee restore the \$18 million, deleted by the House of Representatives from H.R. 8385 on a point of order, for fiscal year 1960 appropriation for "Construction of power systems, Ryukyu Islands."

Since the Air Force installations on Okinawa are supplied electric power by the Army-operated integrated island power system, the Department of the Air Force shares the concern of the Department of the Army over the current and prospective power situation on Okinawa. Air Force installations currently consume 20 percent of the power generated by the system.

The urgency for additional power generating facilities sought by the Department of the Army is evident in the fact that combined military services and civil economy power demand will exceed the firm capacity of total existing power generating facilities before the end of this calendar year. Any further delay in initiating construction of new generating facilities may imperil the ability of the Air Force to carry out its assigned mission in this key strategic area.

Accordingly, I respectfully request that your committee act favorably on the Department of the Army's request for restoration of the \$18 million for fiscal year 1960 appropriation for "Construction of power systems, Ryukyu Islands."

Sincerely yours,

LYLE S. GARLOCK,  
Acting Secretary of the Air Force.

DEPARTMENT OF THE NAVY,  
OFFICE OF THE SECRETARY,  
Washington, D.C., August 22, 1959.

HON. CARL HAYDEN,  
Chairman, Committee on Appropriations,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR HAYDEN: It has come to my attention that the Secretary of the Army has requested your committee to restore the \$18 million deleted by the House of Representatives from H.R. 8385, the fiscal year 1960 appropriation bill for "Construction of power systems, Ryukyu Islands." This money was to have been for the construction of an additional electric power station in Okinawa and was deleted on a point of order rather than for economy or other substantive reasons.

Since the Navy and Marine installations on Okinawa are supplied with their electric power requirements by the Army operated integrated island power system, the Department of the Navy shares the concern of the Department of the Army over the current and prospective power situation on Okinawa. Navy and Marine installations currently consume 10.5 percent of the power generated by the system. This will rise to 12 percent in 1960 and 16.5 percent in 1961 as construction of important new Marine facilities is completed. As you know, the Navy and Marine requirements on Okinawa will continue to grow directly as these forces are withdrawn from Japan in accordance with the spirit of the Eisenhower-Kishi communique of June 21, 1957.

The urgency of the need for the additional power-generating facilities sought by the Department of the Army is evident in the fact that combined military services and civil economy power demand will exceed the firm capacity of total existing power-generating facilities in the system before the end of this calendar year. Any further delay in initiating construction of new generating facilities will imperil the ability of the Navy and Marines to carry out their assigned missions in this key strategic area. Accordingly, I wish to lend my support to the Secretary

of the Army's request for restoration of the \$18 million for fiscal year 1960 appropriation for "Construction of power systems, Ryukyu Islands."

Sincerely yours,

F. A. BANTZ,  
*Acting Secretary of the Navy.*

THE SECRETARY OF DEFENSE,  
*Washington, August 22, 1959.*

HON. CARL HAYDEN,  
*Chairman, Committee on Appropriations,  
U.S. Senate.*

DEAR MR. CHAIRMAN: I wish to endorse most strongly the request, forwarded to your committee by the Department of the Army, for restoration of the \$18 million, deleted by the House of Representatives from the mutual security and related agencies bill (H.R. 8385) on a point of order, for fiscal year 1960 appropriation for "Construction of power systems, Ryukyu Islands."

In addition to supplying the power needs of the civilian economy, the Army-operated power system supplies the power required by all of our military services on Okinawa. These combined requirements are rising sharply. They will exceed the firm capacity of the system this year. The additional power facilities for which appropriation is requested are urgently required to insure our ability to carry out U.S. administration and defense responsibilities in this key strategic area.

Accordingly, I respectfully urge that your committee restore the \$18 million requested for fiscal year 1960 appropriation for "Construction of power systems, Ryukyu Islands" and also support the full requirements presented for "Aid to the Ryukyuan Economy" and the representation allowance for the High Commissioner of the Ryukyu Islands.

Sincerely yours,

THOMAS S. GATES, *Deputy.*

DEPARTMENT OF THE ARMY,  
*Washington, D.C., August 18, 1959.*

HON. CARL HAYDEN,  
*Chairman, Committee on Appropriations,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: The mutual security and related agencies appropriation bill (H.R. 8385) as approved by the House of Representatives has eliminated, on a point of order, funding required for "Construction of power systems, Ryukyu Islands."

There is being transmitted to your committee the reclama of the Department of the Army for this vitally needed power-generating project for which the Appropriations Committee of the House of Representatives had approved an appropriation of \$18 million.

The House committee approval was made pursuant to a recent intensive, on-the-spot review of the requirement and a most favorable report by its investigative staff, as well as a personal visit to the Ryukyu Islands by the chairman of its Foreign Operations Subcommittee. The House committee report (No. 712) states:

"The committee has approved an appropriation of \$18 million for the initiation and completion of construction of an electric power system for this group of islands, which is a very vital link in our western Pacific defense organization. The budget estimate proposed a partial funding of this project with an appropriation of \$10 million as the first increment. The committee prefers to provide complete funding in order to avoid undue delay and revision of plans which so frequently occurs when such work is done on a piecemeal basis. The amount of \$18 million is recommended with the understanding that the entire project will be completed within this amount.

"It is the committee's desire that American manufactured products should be used in this project wherever feasible."

As your committee knows, the Department of the Army has been urgently seeking appropriation for this requirement since 1957 to meet the rapidly expanding power needs of the civil economy and the military base. The delay to date, plus the inevitable 3-year leadtime for construction, poses a critical threat to our ability to carry out our responsibilities in this key base area.

Within a few months the combined electric power demand of the civil economy and the U.S. base complex will exceed the firm capacity of the integrated island power system, and the situation will progressively worsen. You will appreciate, then, that it was a grievous and unexpected blow, finally having achieved House committee approval, to suffer deletion of the entire item by the House of Representatives on a point of order, which was neither argued on the floor nor ruled on by the House Parliamentarian, to the effect that the appropriation is not authorized.

The Department of the Army considers that there is adequate authority for the appropriation. Certainly it is well established that authorization required to justify appropriations may be made by ratified treaty, as well as by legislative enactment. In the case of the Ryukyu Islands, authority for the provision of vitally required facilities, including power generation, was derived in the first instance from the Hague Convention of 1907 which prescribes the duties and obligations of an occupying power. The Treaty of Peace with Japan, ratified by the Senate on April 28, 1952, provided for continuation of U.S. control of the Ryukyu Islands by affording the United States the right to " \* \* exercise all and any powers of administration, legislation, and jurisdiction over the territory and inhabitants of these islands \* \* \*."

In the exercise of these powers by the President, the Congress has considered that the well-being of the Ryukyuan people is a responsibility of the United States requiring, among others, the provision of basic power facilities. The appropriation currently requested would make possible a continuation and extension of the existing power facilities which were constructed with funds provided by Congress. Congress appropriated \$1,513,000 for the most recent increment to the power system in Public Law 85-170, fiscal year 1958, for the extension of power transmission lines from Kadena to the new Marines camp at Henoko. It is, therefore, difficult to understand the basis upon which this point of order was raised.

Mr. Chairman, I wish to reiterate my deep concern as to the gravity and the urgency of this requirement. It is my earnest hope that your committee in its wisdom will see fit to restore the \$18 million as approved by the House committee, for fiscal year 1960 appropriation for "Construction of power systems, Ryukyu Islands."

In closing, I request that your committee also give affirmative support to the full requirements presented for "Aid to the Ryukyuan economy" and the representation allowance for the High Commissioner of the Ryukyu Islands.

Sincerely yours,

HUGH M. MILTON II,  
Under Secretary of the Army.

## TITLE II--DEPARTMENT OF THE ARMY--CIVIL FUNCTIONS

### RYUKYU ISLANDS, ARMY--ADMINISTRATION

(P. 9, line 3 and p. 9, line 13)

|                         |             |
|-------------------------|-------------|
| 1959 appropriation..... | \$2,860,400 |
| 1960 estimate.....      | 6,282,000   |
| House committee.....    | 5,282,000   |
| House floor.....        | 5,282,000   |

(House hearings, p. 122)

The Department of the Army requests the following amendments:

#### PROPOSED AMENDMENTS

A. Page 9, line 3, strike out "\$3,000" and insert in lieu thereof "\$4,000" which is the budget estimate and an increase of \$1,000 over the House-approved amount.

B. Page 9, line 13, strike out "\$5,282,000" and insert in lieu thereof "\$6,282,000" which is the budget estimate and an increase of \$1,000,000 over the House-approved amount.

## EFFECT OF PROPOSED AMENDMENTS

A. Proposed amendment on page 9, line 3, will restore the amount of \$4,000 as the limitation to be placed on the item "Contingencies for the High Commissioner."

| Activity                                     | Limitation in act | Proposed amendment | Total request |
|--|-------------------|--------------------|---------------|
| Contingencies for the High Commissioner..... | \$3,000           | \$1,000            | \$4,000       |

B. Proposed amendment on page 9, line 13, will restore the amount of \$6,282,000 as the appropriation for "Ryukyu Islands, Army, Administration."

| Activity                              | Amendment in act | Proposed amendment | Total request |
|---------------------------------------|------------------|--------------------|---------------|
| Aid to Ryukyuan economy.....          | \$3,085,000      | \$1,000,000        | \$4,085,000   |
| Exchange of persons.....              | 264,000          |                    | 264,000       |
| Construction of USCAR facilities..... | 300,000          |                    | 300,000       |
| Administration.....                   | 1,633,000        |                    | 1,633,000     |
| Total.....                            | 5,282,000        | 1,000,000          | 6,282,000     |

## HOUSE COMMITTEE REPORT

## "ADMINISTRATION

"The Department of the Army serves as executive agent for the U.S. Civil Administration, Ryukyu Islands. The budget estimate for this purpose for fiscal year 1960 is \$6,282,000.

"The committee recommends an appropriation of \$5,282,000, a reduction of \$1 million in the estimate. The reduction is in the activity, 'Aid to Ryukyuan Economy' for which \$4,085,000 was requested."

## JUSTIFICATION OF PROPOSED AMENDMENTS

*Contingencies for the High Commissioner*

A. Restoration of the amount of \$1,000 in the item of "Contingencies for the High Commissioner" is sought to rectify an inequitable situation. Over the past several years, the High Commissioner has been given a representation allowance which is inadequate to enable him to maintain his position as the senior U.S. representative in the Ryukyu Islands in a manner reflecting credit on the United States. As a result he and his staff have been required to provide from their personal reserves the excess sums necessary.

*Ryukyu Islands, Army, administration*

B. Recent events, including the continuing tension in the Taiwan Straits and the Chinese Communist aggression in Tibet, confirm the strategic importance of Okinawa, and pointedly illustrate its position as the great fortress of the free world in Asia and the visible symbol of U.S. determination and military capability in the face of a constantly probing enemy. The strength and stability of that position depend in large measure on the manner in which the United States meets its responsibility for the welfare of the Ryukyuan people. The past year has been marked by highly favorable developments, and there is now a wide-spread and genuine belief among the Ryukyuans in a bright future. The security interests of the United States will be served by giving substance to the hopes of these people. Assistance of the requested magnitude will represent an enlightened and economical investment in the political and economic stability so vital for effective utilization of the half-billion dollar base on Okinawa, and is required in the furtherance of national policy objectives.

## CONSTRUCTION OF POWER SYSTEMS, RYUKYU ISLANDS

(P. 11, line 5)

|                                 |              |
|---------------------------------|--------------|
| 1959 supplemental estimate..... | \$10,000,000 |
| 1960 estimate.....              | 0            |
| House committee.....            | 18,000,000   |
| House floor.....                | 0            |

(House hearings, p. 122)

The Department of the Army requests the following amendment.

## PROPOSED AMENDMENT

Page 11, line 5 et sequitur, insert:

## "CONSTRUCTION OF POWER SYSTEMS, RYUKYU ISLANDS

"For expenses necessary to carry out certain responsibilities and obligations of the United States by providing for loans by the Secretary of the Army to the Ryukyu Electric Power Corporation, an instrumentality of the U.S. Civil Administration of the Ryukyu Islands, for construction, installation, and equipment of electric power systems in the Ryukyu Islands, \$18 million, to remain available until expended: *Provided*, That repayment of such loans shall be made to miscellaneous receipts of the Treasury over a period of twenty-five years to commence five years after the date any such loan is made, with interest at such rate as may be fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having a comparable maturity."

## EFFECT OF PROPOSED AMENDMENT

Proposed amendment will add to the bill an appropriation of \$18 million for the construction of a new powerplant at Kin Okinawa—an appropriation which was recommended by the Committee on Appropriations of the House of Representatives, and included in the House committee print of H.R. 8385, but rejected by the whole House on a point of order to the effect that the appropriation is not authorized.

Although the House committee recommended this appropriation without requirements for repayment, it is considered practicable, in consonance with the views expressed by the Senate Committee on Appropriations (Rept. No. 207 Apr. 18, 1959), to make repayment provided liberal terms are extended.

## HOUSE COMMITTEE REPORT

"*Construction of power systems.*—The committee has approved an appropriation of \$18 million for the initiation and completion of construction of an electric power system for this group of islands, which is a very vital link in our western Pacific defense organization. The budget estimate proposed a partial funding of this project with an appropriation of \$10 million as the first increment. The committee prefers to provide complete funding in order to avoid undue delay and revision of plans which so frequently occurs when such work is done on a piecemeal basis. The amount of \$18 million is recommended with the understanding that the entire project will be completed within this amount.

"It is the committee's desire that American manufactured products should be used in this project wherever feasible."

## JUSTIFICATION OF PROPOSED AMENDMENT

Authority for appropriations necessary for the administration of and assistance to the Ryukyu Islands is contained in treaty law. During the occupation period between 1945 and 1952, appropriations were granted under Government and Relief in Occupied Areas (GARIOA) pursuant to authority contained in the Hague Convention of 1907 (36 Stat. 2279, 2306, and 2308). Since 1952 authority for continued U.S. control has been contained in the Treaty of Peace with Japan, ratified by the Senate on April 28, 1952, article 3 of which provides for the exercise by the United States of any and all powers of administration, legislation, and jurisdiction. The President has discharged the duties correlative to the grant

of authority and the means for so doing have from year to year been expressly and specifically provided by congressional appropriation.

In the exercise of its authority, the United States enjoys the attributes of sovereignty. However, the Ryukyu Islands are not U.S. territory, never having been ceded by Japan. U.S. statutory law as a whole is not applicable to the area. The law applicable in the islands is the law of Japan prior to 1945 and, since that time, enactments of the U.S. military government and its successor the U.S. civil administration and the local government. U.S. courts have declared the islands to be a "foreign country" in considering the application of U.S. statutes thereto. Thus, the United States continues to administer the Ryukyu Islands as a foreign area or country under authority of treaty law. It has been repeatedly reaffirmed by the Congress that any authorization carried in a treaty is the basis of an appropriation just as if it were an authorization by an act of Congress.

The additional power facilities requested are urgently required to meet sharply rising power demands of the civil economy and the military bases on Okinawa.

## MEMORANDUM

### BASIC AUTHORITY UNDERLYING APPROPRIATION FOR THE ADMINISTRATION OF THE RYUKYU ISLANDS

BASIS OF AUTHORITY: 1946-52

Since 1945 the United States has exercised full powers over the Ryukyu Islands, of which Okinawa is the largest. Prior to the war these islands were an integral part of Japan, but following Japan's surrender, they were treated as a separate and distinct territory for the purpose of occupation. Unlike Japan, where occupation was carried out nominally under Allied authority, the occupation of the Ryukyus proceeded solely under American control. The measure of U.S. control was determined by international customary and conventional law as well as unilaterally by the United States. While control was restored to local institutions as they manifested a capacity to exercise it, the United States retained all powers, subject only to limitations imposed by international law.

As the sole occupier, the United States was charged with the responsibility for providing government in occupied territories, including all measures necessary to preserve public order and safety. The measure of its responsibility as an occupier is expressed in the Hague Convention of October 18, 1907 (36 Stat. 2259), and later carried over to the Geneva Conventions of 1949. The United States is signatory to both which, as treaties duly ratified by the Senate, are part of the law of the land. Section III of the Hague Convention, articles 42-56, is entitled "Military Authority Over the Territory of the Hostile State." The portion of the preamble and sections pertinent to the legal authority of the United States to govern occupied territories are as follows:

#### *Preamble (36 Stat. 2279)*

"Until a more complete code of the laws of war has been issued, the high contracting parties deem it expedient to declare that, in cases not included in the regulations adopted by them, the inhabitants and the belligerents remain under the protection and the rule of the principles of the law of nations, as they result from the usages established among civilized peoples, from the laws of humanity and the dictates of the public conscience."

#### *Article 42 (36 Stat. 2306)*

"Territory is considered occupied when it is actually placed under the authority of the hostile army."

"The occupation extends only to the territory where such authority has been established and can be exercised."

#### *Article 43 (Stat. 2306)*

"The authority of the legitimate power having in fact passed into the hands of the occupant, the latter shall take all measures in his power to restore, and insure, as far as possible, public order and safety, while respecting, unless absolutely prevented, the laws in force in the country."

#### *Article 53 (36 Stat. 2308)*

"An army of occupation can only take possession of cash, funds, and realizable securities which are strictly the property of the state, depots of arms, means of

transport, stores and supplies, and generally, all movable property belonging to the state which may be used for military operations.

"All appliances, whether on land, at sea, or in the air, adapted for the transmission of news, or for the transport of persons or things, exclusive of cases governed by naval law, depots of arms, and generally, all kinds of ammunitions of war, may be seized, even if they belong to private individuals, but must be restored and compensation fixed when peace is made."

The multilateral treaties mentioned above to which the United States is a signatory and which were duly ratified by the Senate, had the force and effect of law and constituted the basis for appropriation of funds to carry out their purposes. As was stated by the Speaker of the House in overruling a point of order challenging the authorization for conversion of ships pursuant to an agreement (treaty) to reduce the number of combat ships:

"Consequently, any authorization carried in a treaty is the basis of an appropriation just as if it were an authorization passed by an act of Congress." (Vol. 7, "Cannon's Precedents" 1143.)

#### BASIS OF AUTHORITY, 1952 TO PRESENT

The Treaty of Peace with Japan, ratified by the Senate April 28, 1952, provided for the administrative separation of the Ryukyus from Japan and the continued exercise of all powers by the United States. Under the terms of article 3 of the treaty, Japan agreed that it would concur in any proposal of the United States to the U.N. to place these islands, as well as certain others, under its trusteeship with the United States as sole administering authority and that pending such disposition " \* \* \* the United States will have the right to exercise all and any powers of administration, legislation, and jurisdiction over the territory and inhabitants of these islands \* \* \*."

While Japan did not renounce all right, title, or claim to the islands, it did confer upon the United States important attributes of sovereignty which the United States continues to exercise today. In describing the status of these islands, Federal courts have spoken of the exercise by the United States of de facto sovereignty. Having never been ceded by Japan, the Ryukyu Islands are not U.S. territory, however. (Hudson, "Permanent Court of International Justice" (1920-42 (1943), 66).) U.S. statutory law as a whole is not applicable to the area. The law consists of the law of Japan prior to 1945 and enactments of the local government and of the civil administration, including those carried over from military government. U.S. Federal courts have declared the islands to be a "foreign" country or territory in considering the application of specific U.S. statutes thereto. (See *U.S. v. Shiroma*, 123 F. Supp. 143.)

Authority for continuation of U.S. administration could be sustained even in the absence of the language contained in the treaty of peace. The Supreme Court has held that military government and the functions thereof, established under occupation can continue after the conclusion of a peace treaty (*Cross v. Harrison*, 16 How. 164). Magoon's Reports (pp. 16-37 (1903)), considers this matter at length and concludes that the continuance of military government after an exchange of ratifications of a peace treaty is in harmony with the theory heretofore accepted and approved by the executive, legislative, and judicial branches of the government.

#### *The extent and exercise of U.S. responsibilities*

While international law has provided the authority for the exercise of all powers in the Ryukyu Islands, the President has exercised that authority with means therefor provided expressly and specifically by the Congress. It has long been held that the President, as Commander in Chief during the war and postwar period, continues to exercise U.S. powers, in the absence of legislative action by the Congress. In *Cross v. Harrison* (16 How. 164) the Court, in considering the validity of an act taken under authority of the President in Cuba following the Treaty of Peace with Spain, declared that the government, which was instituted during the war by command of the President, "did not cease, as a matter of course, or as a necessary consequence, of the restoration of peace. The President might have dissolved it by withdrawing the Army and Navy officers who administered it, but he did not do so. Congress could have put an end to it, but that was not done. The right inference from the inaction of both is that it was meant to be continued until it had been legislatively changed \* \* \*."

The Court considered that the government continued without any violation of the Constitution or laws of the United States and, until Congress acted, the President could continue to exercise governmental functions. (See also *Dooley v. U.S.*, 182 U.S. 222; and, *Galban & Co. v. U.S.*, 207 U.S. 579.)

The President in Executive Order 10713, signed on June 5, 1957, assigned to the Secretary of Defense the exercise of U.S. powers subject to his approval and direction. He charged the Secretary of Defense with the "development of an effective and responsible Ryukyuan Government based on democratic principles and supported by a sound financial structure" and with making every effort to "improve the welfare and well-being of the inhabitants." (22 Federal Register 4007 (1957)).

The responsibilities of the United States as "de facto" sovereign result as much from the demands of national security as from humanitarian considerations. As was stated by a special subcommittee of the House Armed Services Committee, following a visit to Okinawa in 1955, the U.S. responsibilities toward the Okinawans "arise in the first instance from our tradition of fair play." They stated further that "Okinawa has become, in its most precise sense, a 'showcase of democracy.' The eyes of the world and particularly the hooded eye of the Communist world are fixed effectively on our actions in Okinawa, the latter in concentrated study to discover what can be used as propaganda against us. These two considerations have been placed in order of priority—morality first, practicality, second." (Report of a Special Subcommittee of the Armed Services Committee No. 86, 1956, p. 7658.)

That the administration of the Ryukyus, and the responsibilities imposed thereby, are not provisional or temporary in nature has been made crystal clear since December 1953 when Secretary of State Dulles stated that "the U.S. Government believes it is essential for the success of the cooperative effort of the free nations of Asia and of the world in the direction of peace and security, that the United States continue to exercise its present powers and rights in the \* \* \* Ryukyu Islands and in other islands specified in article 3 of the treaty so long as conditions of threat and tension exist in the Far East."

In his budget message to the Congress on January 19, 1959, the President noted that the United States was empowered to continue to exercise jurisdiction over the territory and its 830,000 inhabitants. Because of the critical strategic importance of the islands to the free world, he stated that the United States "will be responsible for their administration for an indefinite period."

#### PROCEDURAL QUESTION REGARDING POWER DEVELOPMENT AS A RESPONSIBILITY OF ADMINISTRATION

An adequate power system is indispensable to the maintenance of an adequate standard of living and a viable base of military operations for all three services which have extensive installations there. The present power system, which is run by the Army, was built originally with GARIOA funds under treaty authorization. It was later extended with funds appropriated by the Congress. It is hopelessly inadequate, reaching only 64 percent of the 680,000 people who live on the main island of Okinawa. The expansion now proposed would bring power to 75 percent of the island's estimated population of 750,000 by 1961. The new power requirements are related to the present and expected civilian and military needs.

Because power development is fundamental to economic development and the maintenance of an adequate standard of living for a growing population, it is, under the conditions prevailing in the Ryukyu Islands, a necessary function of administration exercised by the United States pursuant to authority contained in the treaty of peace. As is noted in the comments to rule XXI, Jefferson's Manual and Rules of the House, House Document No. 458, "The authorization by existing law required in the rule to justify appropriations may be made also by a treaty, if it has been ratified by both the contracting parties." In Cannon's Precedents, volume 7, 1936, page 212, it states that "In determining the extent to which treaties authorize appropriations on appropriation bills, ambiguous provisions are to be construed in favor of authorization."

The House has, in the past, considered that the exercise of rights granted by treaty constitutes necessary authorization. On page 204 of Cannon's Precedents, supra, reference is made to appropriations for the Canal Zone where U.S. rights were derived from treaty, as follows:

"The right granted by treaty and supplemental legislation to maintain civil government in the Canal Zone was held to authorize appropriations in general appropriation bills for such maintenance."

A review of decisions by the Chair in passing upon points of order in such matters reveals the application of the following rule: if the appropriation item is necessary to carry out the language or function stated in the treaty, then the item is in order. (See Cannon's Precedents, vol. 7, p. 211). The maintenance of adequate

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power in the Ryukyu Islands is clearly a condition to the effective exercise of U.S. treaty powers.

Additional to the language of the treaty as constituting adequate authority for an appropriation, consideration may be given to the power request as a continuation of "public works and objects already in progress" and, therefore, permissible under XXI. It has been stated that the United States exercises all powers in the Ryukyus. This is done through a civil administration headed by a High Commissioner. A local government of the Ryukyu Islands (GRI) was established by U.S. edict. While local government has been encouraged, neither it nor any private agency is capable of producing power which, under the circumstances, must be the responsibility of the United States as administering authority. Power, in a real sense, is a function of the civil administration operating through local agencies. It is vital to the continuation and maintenance of stability. Its importance was recognized by the Congress earlier when it appropriated for the present power system and favorably considered the improvement and augmentation of these facilities (Public Law 85-170, 85th Cong., 1957). Improvement of power facilities, once established, has been approved without prior authorization. (See Cannon's Precedents, vol. 7, p. 402.)

#### CONCLUSIONS

1. There is adequate authority in the treaty of peace necessary to provide for appropriations needed for the effective exercise of such authority.
2. The President may exercise the rights acquired by treaty over a foreign area to which U.S. statutory law does not as a whole extend.
3. The accomplishment of basic strategic objectives will depend upon the effective discharge of responsibilities with respect to the civilian population.
4. The development of an adequate power system is a responsibility of effective government under the conditions prevailing in the Ryukyu Islands; and
5. The improvement and augmentation of existing power facilities may be considered a function of government and, in view of congressional appropriations for the existing system which is to be continued and extended, can be considered a public work or object already in progress, and thus exempt from the application of the rule on the basis of which a point of order was upheld.

ASSISTANT SECRETARY OF STATE,  
Washington.

HON. CARL HAYDEN,  
Chairman, Appropriations Committee,  
U.S. Senate.

DEAR SENATOR HAYDEN: In connection with consideration of the Mutual Security and related agencies appropriation bill (H.R. 8385), I wish to take this opportunity to explain this Department's strong support of the request of the Department of Defense that adequate funds be provided during fiscal year 1960 for the purpose of the administration and economic development of the Ryukyu Islands, including provision for the construction of power systems, Ryukyu Islands.

The position of the United States in the Ryukyu Islands was established by the Treaty of Peace with Japan. As you know, under article 3 of the peace treaty, the United States was granted the right to exercise all and any powers of administration, legislation and jurisdiction in the Ryukyu Islands. In exercising such right, this Government assumes certain correlative responsibilities in the government of the islands. The military position which we have established in the Ryukyu Islands is the keystone in the arch of our western Pacific strategic base system, which stretches from Alaska to southeast Asia. Our ability to maintain our position in the Ryukyus is largely dependent upon the effective exercise of our rights to administer the islands and, at the same time, recognition of our responsibilities to the civilian population.

In the Ryukyus we are governing a foreign population of 800,000 people. In so doing we are running contrary to the strong current of nationalism in the Far East where most of the free nations have only relatively recently achieved independence. Although the Ryukyuans are Japanese nationals, they are as dependent upon the Government of the United States as if they were American citizens. The successful operation of the Ryukyuan base complex is largely dependent upon the good will of the local population which furnishes the labor force for the bases and which under adverse circumstances could create political unrest in the

Ryukyus which would embarrass the United States in the eyes of the world, weaken our military position, and further stimulate other countries to urge our withdrawal from the islands.

The Ryukyu Islands are overpopulated, economically depressed, and backward, with very little in the way of natural resources. They have always been and probably always will be a deficit area requiring substantial outside support. Prior to World War II they obtained such support in the form of subsidies from the Japanese Government. The United States has been spending annually only about \$3 to \$4 per capita on government administration and economic development in the Ryukyus. This compares with the Japanese Government's annual expenditures for these purposes of about \$9 to \$10 per capita in the seven Japanese prefectures comparable in economic status and population to the Ryukyus. Furthermore, the Japanese Government's economic development program for the Amami Islands (the northern Ryukyus returned to Japanese administration in December 1953) provides for an average annual expenditure of more than \$20 per capita over the 10-year period from 1954 to 1964. Although our huge programs for the building of military bases in the Ryukyus have made it possible up to now for the islands to survive economically, this construction is declining markedly. In the face of this sharp decline in the islands' major source of income, I believe we must be prepared to contribute more substantially to the support of Government administration and economic development.

In the opinion of this Department it is vital to our success in maintaining an effective military base in the Ryukyu Islands and in carrying out our responsibilities to the civilian population that we provide in our administration of the islands sufficient support for necessary economic development. Such support should provide, among other things, for power facilities adequate to meet the rapidly expanding power needs of both the military base and the civilian economy. I am informed that in 1959 the combined power demand of the local economy and the Military Establishment will exceed the firm capacity of the Integrated Island Power System and will continue to increase sharply thereafter.

For these reasons the Department of State endorses the request of the Department of Defense for the appropriation of sufficient funds to meet the requirements of government administration and essential economic development in the Ryukyus for fiscal year 1960, including provision for "Construction of power systems, Ryukyu Islands."

Sincerely yours,

J. GRAHAM PARSONS.

#### GENERAL STATEMENT

General MEAD. Mr. Chairman and gentlemen, thank you for this opportunity to discuss the U.S. program in the Ryukyu Islands and its effect upon U.S. interests and responsibilities.

This committee is well aware of the overriding national and free world security considerations which make it essential that the United States retain full control of these strategically important islands.

The still aggressively expansionist policies and the constantly probing tactics of the Chinese Communists as evidenced in the Taiwan Straits, Tibet, and southeast Asia, and the thinning out of the U.S. forces in the Pacific, reemphasize the importance of Okinawa as the great fortress of the free world in the Far East.

Notable gains have been made in carrying out our responsibilities for the administration of the Ryukyu Islands under Executive Order 10713.

#### ACCOMPLISHMENTS OF PAST YEAR

First, a major accomplishment during the past year has been the settlement of the land problem, accompanied by the virtual disappearance of anti-American activities and the subsidence of leftwing political movements.

Less direct, but of comprehensive economic and overall benefit, was the replacement of military occupation currency with U.S. currency and coin last September.

At present the political climate is excellent. The people are in a cooperative mood, and are conditioned for firmer appreciation and willing acceptance of American policies and administration.

There can be no doubt that the economic progress has contributed materially to the marked improvement of the political climate. There is now a widespread and genuine belief among the Ryukyuan people in a bright future that can be realized through cooperation with the U.S. administration.

#### BASIS OF AID REQUESTS

The aid requested is based on requirements which they cannot meet from their own resources and, if granted, will give substance to their expectation that the United States will continue to show its deep sense of responsibility for Ryukyuan economic development.

In seeking favorable action by your committee on our budget request, I should like first to address myself to the request for power generating facilities.

Your committee report concerning the Department of the Army fiscal year 1959 supplemental request for a new powerplant on Okinawa expressed the belief that action on this matter could be deferred for consideration in connection with the regular appropriations for 1960 and, further, that construction of the required new facilities should be on the basis of a loan.

The Director, Bureau of the Budget, subsequently addressed a letter to the chairman, Appropriations Committee, House of Representatives, pointing out the vital importance of the construction of an additional plant as was included in the proposed supplemental appropriation, fiscal year 1959, and the need for its approval at the earliest possible time.

He expressed the hope that the estimate could be taken up again and be given favorable consideration before the close of this session of Congress, and he included in his letter appropriation language providing for a loan of \$10 million for partial completion of the facility, should the Congress wish to proceed with the financing on that basis.

#### HOUSE ACTION

The Appropriations Committee of the House of Representatives in its report recommended a grant of \$18 million to permit construction of the complete 4-unit 80-megawatt plant to meet the sharply increasing power requirements of the local economy and the military base.

Unfortunately, provision for this item was deleted from H.R. 8385 on the floor of the House on the basis of a point of order to the effect that the appropriation is not authorized.

The Department of the Army considers that there is adequate authority for the appropriation under ratified treaties, and also as a continuation and extension of existing power facilities which were constructed with funds provided by the Congress.

In addition to the brief justification contained in the reclama document, we have provided the committee staff a detailed statement of this position. In consonance with the views of the committee, we have submitted a budget request in the amount recommended by the House committee, but with provision for repayment even though the House committee did recommend a grant.

It is most earnestly urged that this budget request be approved.

## NECESSITY FOR POWER FACILITIES

The necessity for these additional generating facilities is vital. New base facilities now being constructed for our forces will cause minimum demand to exceed firm capacity in the latter part of this year.

If funds are appropriated now, demand will still exceed firm capacity until July 1962. Until then we must use an unreliable, nearly worn-out power barge and inefficient diesels as primary sources of power, at an estimated excess cost of \$1,879,000.

## SOURCES OF FUNDS

The \$18 million requested would be supplemented by \$4.7 million to be derived in Okinawa from the earnings of the present power system.

The total amount of \$22.7 million would permit construction of the necessary ancillary facilities and a plant having four 20-megawatt units.

If funding were provided now, the schedule of construction would bring two units on the line in July 1962.

The increase in firm capacity thus provided will then meet known demand, provided the marginally effective barge and diesels can be kept operational.

The last two units would come in on July 1, 1963, and the wornout diesels and power barge would be retired on July 1, 1964.

On this basis, demand would not again exceed firm capacity until 1967.

## RESTORATION OF OTHER ITEMS REQUESTED

We also request restoration of the \$1 million which the House of Representatives has deducted from project Aid to the Ryukyuan Economy, and the \$1,000 deducted from the limitation on the item "Contingencies for the High Commissioner."

The Ryukyu Islands are overpopulated and have very little in the way of natural resources. They are a deficit area requiring substantial outside support, and they are dependent on the United States for this support.

If we are not able to provide sufficient resources for essential public programs and economic development, we cannot expect to retain the good will and cooperation which are essential to successful operation of the base complex.

The \$1 million cut in economic aid would require a reduction of \$500,000 in the public health program; \$300,000 in the education program; and \$200,000 in the agricultural land development program.

By such a lowering of the public health and education standards which we are trying to reach, we promote intensification of the reversion sentiment.

The cut in funds for agricultural land development will nullify a previously anticipated increase in annual rice production of 1,100 metric tons with a value to the national income of \$165,000 per year, thereby preventing a corresponding decrease in the unfavorable trade balance because of the necessity to continue importation of that much additional rice.

Thus, restoration of the \$1 million for economic aid will not only provide urgently needed material assistance to the Ryukyuan people, but it will also represent a prudent investment in the political and economic stability which is so essential to accomplishment of the U.S. objectives in the islands.

#### BUDGET REQUEST REALISTIC

We respectfully submit that our budget request represents a realistic estimate of needs of the U.S. administration in the Ryukyus to achieve these objectives.

As to the reduction in the item "Contingencies for the High Commissioner," the restoration of \$1,000 is sought in order to give some measure of relief to the High Commissioner and his staff who have been paying out of their own pockets the excess costs of official representation of the U.S. Government in the Ryukyu Islands.

Thank you, Mr. Chairman and gentlemen, for the opportunity to present this statement. Members of the Department of the Army staff and the Director of Plans and Programs of the Civil Administration are present to go into the details of the budget request as you may desire.

Also, representatives of the Marines and Air Force are here to speak, if you wish, to the urgency of the requirement for power-generating facilities to serve the needs of their forces in the Ryukyus.

#### SETTLEMENT OF LAND DIFFICULTIES

Chairman HAYDEN. Are there any questions?

Senator ELLENDER.

Senator ELLENDER. General, can you tell us in a few words how you settled the land difficulties which have existed in the Ryukyu Islands.

General MEAD. I would like to ask Mr. O'Flaherty to respond to that, please.

Mr. O'FLAHERTY. Senator Ellender, the manner of our acquisition of land and method of paying for it, has been, as you indicated, a source of distress and agitation for some time.

A little over a year ago, a year ago last June, in fact, the Secretary of the Army invited the chief executive of the Ryukyu Islands and representatives of the landowners, to come to Washington to meet with Army and Defense officials; they met with some of the Members of the Congress, they met with the Department of State, and others, to express the essential elements of their discontent.

Basically, they had been led to believe by opportunists who were not addicted to the truth in all instances, that the United States, despite its protestations of never doing so, was in reality taking land from them, taking title to the land, rather than acquiring a long-term interest and leaving the title with the landowners.

This was the essential point of discontent on the part of the Ryukyu Islands. They love their land; it is their livelihood, and notwithstanding assurances from this Government, they had been persuaded that we were taking the land away from them rather than simply using it.

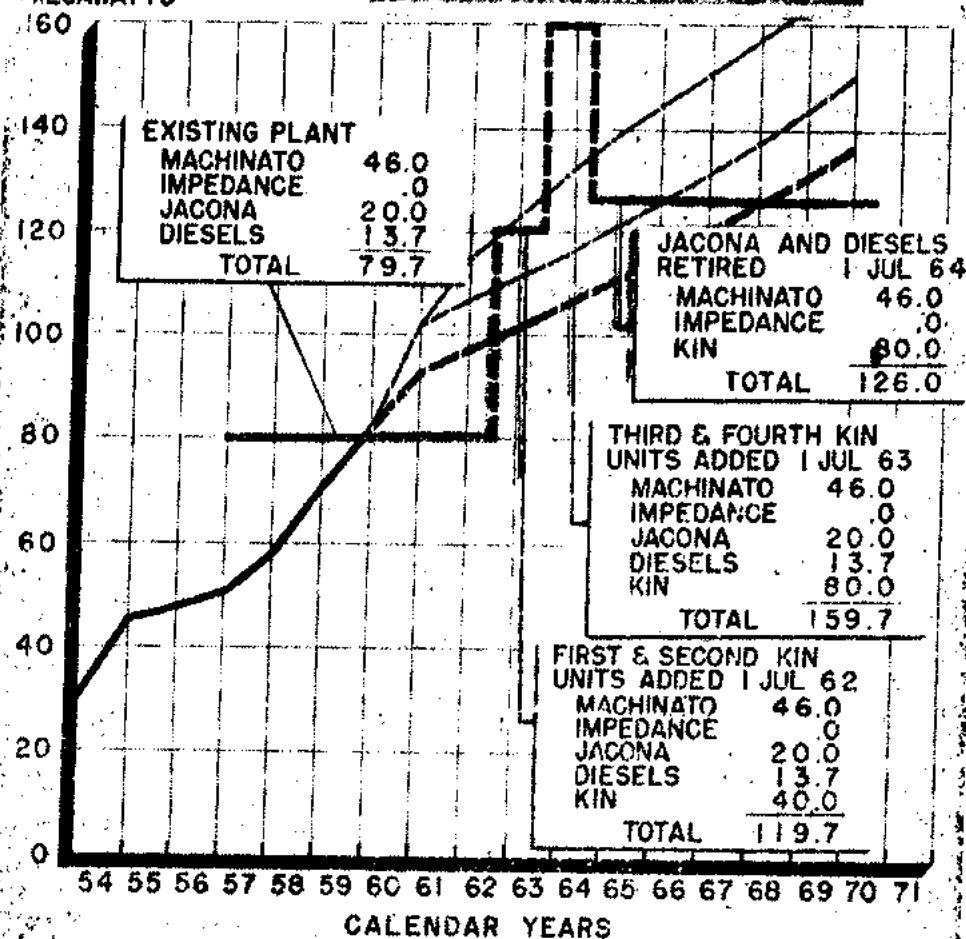
(The attachment to the formal statement of General Mead follows:)



# PEAK CAPACITY ALL AVAILABLE PLANT LARGEST UNIT OMITTED

170,635

MEGAWATTS



## LEGEND

- ACTUAL
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Mr. O'FLAHERTY. It was clear that the solution to the essential problem would be to take a type of interest which could not be construed as a confiscation of title.

It was proposed, and agreed eventually, that the United States pay annual rent for that land which is required on a short-term basis and for land which is required on long-term bases, prepay up to 10 years advance rental.

This simply consists of an indefinite leasehold in all instances.

#### ACREAGE AND RATES INVOLVED

Senator ELLENDER. How many acres were involved? Do you remember?

Mr. O'FLAHERTY. At that time, 42,000 acres.

Senator ELLENDER. What was the rental rate? I remember a figure of \$75 per acre.

Mr. WOHL. We are now paying for some 45,000 acres what will be an annual rental of \$6 million.

Senator ELLENDER. What does that mean per acre?

Mr. WOHL. I will figure it out in a moment.

Senator ELLENDER. Six million dollars?

Mr. WOHL. For the use of 45,000 acres.

Senator ELLENDER. Well, it is much worse than I expected.

Mr. WOHL. It is about \$135 per year per acre.

Senator ELLENDER. \$135 per year per acre. Do you not think that is an outrageous rental?

Mr. WOHL. This is rental which corresponds to rental for similar lands in the local economy.

In other words, between landowner and tenant relationships outside of the United States.

Senator ELLENDER. As I recall, a figure of \$75 per acre had been mentioned to me previously. I thought that was outrageous. But now you have it up to \$135.

Mr. WOHL. \$135 an acre on the average.

#### BASIS OF PAYMENTS

Senator ELLENDER. And do you pay them in advance for 10 years or is it a contract for 10 years?

Mr. WOHL. There are two bases for payment. Where we have only a limited requirement—that is, 5 years or less—only annual rentals are involved.

Where our requirements are indefinite, the landowner has the option of either getting an annual rental or electing to receive 10 years' prepaid rental.

Senator ELLENDER. In other words, 10 times \$135.

Mr. WOHL. That is correct.

#### LAND FOR CULTIVATION

Senator ELLENDER. How many acres of the remaining land are arable?

Mr. WOHL. We have within our holdings what was originally 16,000 acres that were arable.

This represented 20 percent of the total arable land in Okinawa. Our utilization has changed the form of 11,000 acres so that they are no longer arable because of our construction on them.

The remainder of 5,000 acres remain arable and the landowners are permitted to continue to farm these acres so long as their utilization does not adversely affect our requirements.

Senator ELLENDER. How many acres altogether?

Mr. WOHL. That would be 69,000 acres, roughly, remaining arable within Okinawa Island per se.

Senator ELLENDER. Are these acres worked by the natives?

Mr. WOHL. Yes.

#### POPULATION AND EMPLOYMENT

Senator ELLENDER. What is the population now?

Mr. WOHL. The population on Okinawa is roughly 700,000.

Senator ELLENDER. 700,000?

Mr. WOHL. That is correct.

Senator ELLENDER. How many of those people are employed in one way or another on the island by our forces there?

Mr. O'FLAHERTY. Approximately 40,000.

Senator ELLENDER. There are many there in business, I presume, doing pretty well?

Mr. O'FLAHERTY. Yes, sir.

#### ECONOMIC AID TO RYUKYUS

Senator ELLENDER. How long have we been giving economic aid? What was the amount for last year?

Mr. O'FLAHERTY. \$1 million last year.

Senator ELLENDER. Why are you making it \$4 million this year?

Mr. O'FLAHERTY. This is recognized as a requirement, Senator Ellender, for the social and economic environment of the area.

Senator ELLENDER. Who determines the requirement? Do they, or do you?

Mr. O'FLAHERTY. The requirement is self-evident, sir, on the basis of investigation.

Senator ELLENDER. Are you patterning the island after the United States or the other islands in the Pacific?

Mr. O'FLAHERTY. Since this area is our responsibility it is the considered opinion of the administration that we should endeavor to reach and maintain a level of living that does not cast discredit on our administration of the area.

In other words, there is inevitably bound to be some degree of comparison made with other surrounding countries.

Senator ELLENDER. It is so much better there, though, than it has ever been. I have been there several times. There has been misery there all the time, particularly when the Japs had it.

Mr. O'FLAHERTY. Yes, sir.

Senator ELLENDER. Here you are trying to make utopia out of it with our money?

Mr. O'FLAHERTY. The Japanese Government subsidized this area. As you say, it is an impoverished, a deficit area, and the Japanese Government had subsidized it before the war.



## CHANGE IN RYUKYU ECONOMY

Senator ELLENDER. There was no industry at that time. However, we have constructed facilities there which afford much work for the people. In addition we are paying \$6 million a year for the rental of land, and now you want to increase the economic aid to four times what it was last year.

Mr. O'FLAHERTY. The Ryukyus were basically an agricultural economy before the war, Senator Ellender.

Senator ELLENDER. I guarantee that they are much better off now than they were before the war.

Mr. FLAHERTY. Statistics of a firm nature are not available of the prewar conditions, but the fact of our presence there has changed the nature of the economy very greatly.

Senator ELLENDER. I know it has, and we are paying for it.

Mr. FLAHERTY. Senator, we are paying for the use of the land and we are contributing to the economic activity by purchases by the forces there.

But we also are imposing on them very considerable demands in the nature of public services which they are required to perform for us.

Senator ELLENDER. But we pay for it, though.

Mr. FLAHERTY. This is a part of our request, to reimburse the government for services rendered to us that are extraordinary because of our presence.

## PROCEEDS FROM POWER

Senator ELLENDER. As I recall, the Ryukyu Electric Power Corp., or one similar to it, operated the facilities on those islands and used part of the proceeds to pay for the upkeep of the government.

Mr. FLAHERTY. Senator Ellender, in fact, there has been only one contribution of the profits of the power corporation to the government of the Ryukyu Islands.

Senator ELLENDER. Why were you shaking your head "No," Mr. Wohl? I know what I am talking about. I have been there and talked to the people and I know that some of the proceeds from the electric current was used to pay for the operation of the government.

Mr. WOHL. That was in one particular year.

Mr. O'FLAHERTY. In fiscal year 1958 there was a transfer of several hundred thousand dollars from the earnings of the power corporation to the government of the Ryukyu Islands. There has never been a subsequent transfer.

The earnings of the company are retained for reinvestment in much needed power facilities.

Senator ELLENDER. That is a new policy you are following?

Mr. O'FLAHERTY. Since 1958. There was only the one transfer.

Senator ELLENDER. Yes, I understand, but before that, as I remember, some of the proceeds were used to pay for the operation of the government there.

Now, let me ask you this: Is this a new corporation or is this the same one?

Mr. O'FLAHERTY. No, sir. This facility would be incorporated or added to the existing plant.

Senator ELLENDER. Who will be the stockholders?

## CONTROL OF POWER PLANT

Mr. O'FLAHERTY. The plant is held, if I may, sir, I would like to say that the Ryukyu government has never had any ownership or control in the plant. Because of security reasons it has been considered that the United States should retain this plant under its control. The plant is held by the Ryukyu Electric Power Corp., which is a public corporation, the chairman of the board of which is an official of the civil administration; it is under U.S. control.

It would acquire title upon completion of this facility.

Senator ELLENDER. All of its stock belongs to us?

Mr. O'FLAHERTY. Yes, sir; to the civil administration, Senator.

Senator ELLENDER. Does not the local government come in some way?

Mr. O'FLAHERTY. No, sir; it does not.

## EVENTUAL DISPOSITION OF POWER PROCEEDS

Senator ELLENDER. What portion of the proceeds will eventually go to the local government?

Mr. O'FLAHERTY. As we envisage it now, Senator, the proceeds will have to be reinvested to make this contribution of \$4,700,000 toward this new facility and to meet further demands.

Senator ELLENDER. I am glad you decided to finance it by loan rather than grant. Although it will not make much difference, it is more businesslike to finance it on a loan basis rather than an outright grant.

That is what I objected to previously.

As I understand, the proceeds from the sale of power will be used to repay the loan, and, also, if there is enough to expand the facility.

Mr. O'FLAHERTY. Yes, sir. But it will absorb entirely--this we think you should be aware of--this repayment to the Treasury will absorb entirely the reserve for depreciation which would normally be set up to replace the plant.

Senator ELLENDER. That is what you will use to assist in constructing this new facility?

Mr. O'FLAHERTY. Yes, sir.

But there will be no reserve for depreciation in the foreseeable future.

Senator ELLENDER. You certainly will have profits, will you not?

Mr. O'FLAHERTY. Well, the requirements to repay the U.S. Treasury will be significant.

Senator ELLENDER. And to pay for the operation?

Mr. O'FLAHERTY. And to pay for the operation; yes, sir.

Senator ELLENDER. How do you propose to expand the facility should it become necessary?

Mr. O'FLAHERTY. There will be some funds available for minor expansion or investment in the plant in future years if the requirement arises.

## USE OF FUNDS REQUESTED

Senator ELLENDER. But if Congress should allow you the \$18 million you are now requesting for construction of the facility you will be able from the proceeds, retire the debt, pay the interest, and keep up with your future requirements?

Mr. O'FLAHERTY. No, sir; if you will pardon me, sir, I cannot say it will enable us to keep with the future requirements. It will provide a little profit to be reinvested perhaps in expansion of lines or whatever is required in that respect, but it will not allow for depreciation reserve.

Senator ELLENDER. Can you not get the people there to do some of this for themselves?

It strikes me you have a good economy there. I do not know exactly how many soldiers we have there now—I guess it is a secret—but with the civilians you have there and the soldiers you have there, the economy is booming, compared to what it was when the Japanese had it.

Mr. O'FLAHERTY. It is really a remarkable economy, sir.

Senator ELLENDER. That is why I am surprised you are asking for a dime for this aid here. It strikes me you civilian operators ought to be able to handle it very well by having the local people impose the proper taxes on the people.

#### TAX SYSTEM

As I remember, you have many people there who are getting quite wealthy and I presume they are getting by paying very little in taxes.

Mr. O'FLAHERTY. No, sir; the tax system is equitable, but it is about as big a burden as they can carry. The tax administration is pretty good.

We will not say that it is perfect, but we have had Treasury people out there this past year advising the civil administration on methods and means of improving, advising the administration and the government of the Ryukyus on the methods and means of improving the tax administration.

#### CIVILIAN EMPLOYEES

Senator ELLENDER. How many civilians are employed in the administration of the Ryukyus?

Mr. O'FLAHERTY. In the civil administration?

Senator ELLENDER. Yes.

Mr. O'FLAHERTY. There are 147 Department of Army civilians.

Senator ELLENDER. Are they paid out of this appropriation?

Mr. O'FLAHERTY. Yes, sir.

Senator ELLENDER. Is any part of that expense paid by any other department of our Government?

Mr. O'FLAHERTY. No, sir.

Senator ELLENDER. Thank you, Mr. Chairman.

Mr. O'FLAHERTY. May I correct the record, sir?

Out of this appropriation will be paid the civilian employees of the Army who are engaged in civil administration and the local employees. There are 30 military personnel assigned to the civil administration. They are paid out of the regular operation and maintenance funds of the Army.

Senator ELLENDER. What do they do?

Mr. O'FLAHERTY. One of them, for example, is head of the Public Health Department. He is a very highly qualified man. We could not get a doctor anywhere near the caliber if he were a civilian.

Senator ELLENDER. Are there any hospitals there operated by our people for the benefit of the residents?

Mr. O'FLAHERTY. Not operated by the U.S. Government for the benefit of the residents; no, sir. His concern is, among other things the assurance that the type of food produced locally for sale to the troops is up to the required standards; his concern is with sanitation measures needed to protect the safety and health of the troops and the dependents.

He is broadly concerned with the tuberculosis problem, as an example, which is a hazard not only to our forces, but is a factor in the economy and the society there.

#### SOURCE OF FUNDS FOR RENTALS

Senator ELLENDER. By the way, out of what appropriations do you pay for the long-term rentals of the land?

Mr. O'FLAHERTY. The prepaid rentals, long-term prepaid rentals, are paid out of a special appropriation provided in the "Military construction, Army" budget.

The annual rentals are paid out of the operations and maintenance, or O. & M. budgets of the service.

Senator ELLENDER. In other words, of the Army?

Mr. WOHL. Army, Navy, Air Force, and Marines.

Senator ELLENDER. And none of the money you are presently requesting is to be used for that purpose?

Mr. O'FLAHERTY. Not a cent.

Senator ELLENDER. All this is over and above that?

#### REQUESTED FUNDS FOR REIMBURSEMENT ONLY

Mr. O'FLAHERTY. That is correct. This budget stands on its own feet as a requirement for reimbursement to the government for services rendered and certain activities of a social nature, that is which affect the entire climate of the society which we consider to be essential to the carrying out of our mandate. This mandate is contained in the Executive order and says that the Secretary of Defense must continue to promote the welfare and well-being of the Ryukyuan people, to maintain a democratic government based on a sound financial structure, and to continue to work toward the welfare and well-being of the people.

It is to carry out that mission, sir, that this budget is submitted.

#### EXCHANGE OF PERSONS PROGRAM

Senator ELLENDER. As I said a while ago, your economic aid activities are being increased from \$1 million last year to \$4,085,000 this year. You have an exchange of persons program amounting to \$264,000. Now, what is that for?

Mr. O'FLAHERTY. The exchange of persons program is to carry out, first of all, Senator, a program which has been approved by the Congress over a number of years; namely, the visits to the United States of 10 national leaders for a period of 90 days, approximately. These men who are now found among the very eminent Ryukyuan people and the leaders of those whose sentiment is favorable to the United States and its presence there——

Senator ELLENDER. It strikes me you ought to send those who are not.

Mr. O'FLAHERTY. These are the product of visits of former years. The Chief Executive of the Government, the Speaker of the House of Representatives, the president of the University of the Ryukyus, a number of men who were not in these positions in their younger days, but they were beneficiaries of this program and they went back with a recognition of the things that the United States stands for, and they felt as they grow older they could support them.

#### CONSTRUCTION OF UNIVERSITY

Senator ELLENDER. When did you complete the construction of the university there?

Mr. O'FLAHERTY. We have in this submission, if I understand your question, sir, a request for a building which is needed to house the home economics classes. The enrollment at the university has risen to over 2,000 people.

Senator ELLENDER. We constructed most of the buildings, did we not?

Mr. O'FLAHERTY. That is right.

Senator ELLENDER. As I remember, we constructed their House of Parliament.

Mr. O'FLAHERTY. The Executive Administration Building.

Senator ELLENDER. Yes, sir.

Mr. O'FLAHERTY. Yes, sir.

Senator ELLENDER. Thank you, Mr. Chairman.

#### FUEL FOR POWERPLANT

Chairman HAYDEN. Are there any further questions?

Senator ALLOTT. I have one or two questions.

What sort of fuel is used for this power station?

Mr. O'FLAHERTY. Oil, sir.

Senator ALLOTT. Where does that come from?

Mr. WOHL. The Persian Gulf.

#### RENTAL PRICE

Senator ALLOTT. I would just like to make one remark about this rental situation. This figures out \$135 an acre per year. This is in an area which is extremely poor. Now, I would just like to point out to you that I do not know of any land in the United States, farmland, that the farmer would not be very, very happy, even though he has put in extensive drainage and perhaps irrigation, that he would not be very happy to let his land go at \$135 an acre.

It seems to me that this is a terrible price to be paying to a very poor economy where your living standards are not anywhere near up to ours, and yet you are paying in excess of what you can rent millions of acres of good farmland in this country for today.

Mr. WOHL. May I reply to that, sir, that we are dealing in the Ryukyus with an economy which has 5,000 persons per arable square mile of land. It is not like the United States. In the Ryukyus the average farmowner has eight-tenths of an acre as his holding. From this he gets the livelihood for a family of five.

The \$135 per year per acre is not going to put his family in a position where they can live on the proceeds. This is one of the difficulties that we have to face in the area.

Senator ALLOTT. Now, is this land devoted completely to airfields and to military installations?

Mr. WOHL. This is used for all of our base requirements for the airfields, military installations of all sorts, sir.

Senator ALLOTT. I would like to point out that this, also, based on the 700,000 population figure you gave us, amounts to \$8.50 per year for every man, woman, and child on the island.

This is just less money; is that correct?

Mr. WOHL. Roughly.

Senator ALLOTT. I would like to ask one other question.

#### RELATIONS BETWEEN NATIVES AND MILITARY

In talking with a serviceman who returned from there recently, in the last few months, I was told by him a long story, the details of which I shall not repeat here, about the abominable conditions which existed between the military and the natives of the island, and that, as a matter of fact, the discipline of the troops on the island was such that there was not much chance of our going forward.

What have you to say about the present situation between the relationship of the troops with that of the natives of the island and the conduct of the troops on the island?

I was told in flat words of specific instances that the troops were nearly out of hand on the Ryukyus.

Mr. O'FLAHERTY. Sir, we have had no such reports.

Senator ALLOTT. Has anyone here been in command there lately?

Mr. O'FLAHERTY. There is an officer from the Marine Corps who has just returned, sir.

Major WALL. I just returned from Okinawa approximately a month and a half ago. Speaking for the Marine Corps, which I believe is the largest single body of troops on the island, the Marine Division out there, our morale out there was considered excellent under the circumstances that we were presently in there.

I am sure that you are aware that the Marine Corps personnel out there are without their families. The Marine Corps has made every effort possible to provide facilities to make up for that loss of family.

There is no doubt that an occasional mishap will happen in town with so many thousands of troops crowded in small camp areas. They do get out.

But our morale out there has been excellent. I speak from my own personal experience out there.

(Discussion off the record.)

Senator ALLOTT. I was told by this young man in whom I have every reason to have confidence, that the conduct of the troops on the Ryukyus as a whole was so outrageous that the natives were almost in open warfare about it, that the conduct of the troops, particularly when they were in town, and their conduct with relation to the native people was such that, if anything, the impression that they were getting of Americans was worsening our relationships today day by day.

This particular young man is a college man, of very good background, very steady.

Now, I do not quite understand this difference. Do you think there has been a change in the last few months?

Major WALL. No, sir; I don't believe, Senator, speaking again from the Marine Corps angle, I don't believe so. I believe it has been the same with our people out there over a long period of time.

Senator ALLOTT. I expect you to speak well of the Marine Corps. What about the other units out there without designating them if you care to?

Major WALL. I personally have not seen any circumstances such as you have described. I do not know of any.

Senator ALLOTT. Thank you very much, Major. I appreciate your frank answers.

#### MORALE ON OKINAWA

Mr. SHIRVEN. Senator, I am from Okinawa. In addition to that, I have had many years' experience in other countries in the Far East, Japan and Korea particularly.

I think I can say without question that the morale and discipline in Okinawa at the present time is as good as I have ever seen in any country in the Far East.

We have had a constant decline in the rate of incidents. All of the services have given a great deal of attention to the community relations programs and those programs unquestionably, in my judgment, have borne fruit.

I think that the report that you have received is a report from a single observer and does not represent the judgment of most of the people who have been in Okinawa.

Senator ALLOTT. I would say the report of this one young man is not an unsupported report. I have had it from other people, too.

Mr. SHIRVEN. Well, I don't want to deny that there are problems. Of course, wherever you have large bodies of troops you will have problems. You have problems around bases in the United States. I will say that our problems, the problems around our bases in Okinawa, are not substantially more acute than the problems you have around the bases in the United States.

Most certainly there has not been any breakdown of discipline and morale in the Ryukyu Islands.

Furthermore, it is certainly not correct to say there is any upsurge of anti-American sentiment or antitroop sentiment.

Quite the contrary, I would say. I would say by and large, granting that there are exceptions our troops have the most friendly relations with the Ryukyuan people.

Mr. O'FLAHERTY. Sir, I did want to ask if you would hear Mr. Shirven because he is in the civil administration and the high commissioner of the civil administration is primarily concerned with the question of relationships between the troops and the local people.

Senator ALLOTT. Thank you, gentlemen. I hope I will have a chance to look into it, myself, one of the days.

Chairman HAYDEN. Are there any more questions?

Senator DWORSHAK. I have one question, Mr. Chairman.

#### POLITICAL CLIMATE OF ISLANDS

General Mead, I did not hear you make your statement, but in reading it I noticed that you make this comment:

At present the political climate is excellent. The people are in a cooperative mood and are conditioned for a firmer appreciation and willing acceptance of American policies and administration.

You also refer to the fact that there seems to be a virtual disappearance of anti-American activities and the subsidence of leftwing political movements.

I recall every year when we have these hearings we have discussed, partly off the record and on the record, the reports that we receive from the island that there has been infiltration of Red influence and that our Americans there have not been accorded the proper respect and they do not have the prestige which we should have in order to do a good job.

Now you say this condition has assumed a Pollyanna appearance. What is responsible for this apparent drastic change? Has there been a drastic change?

General MEAD. Senator, I returned from Turkey in July from a 2-year tour of duty there. I have been here since the 3d of August. I have given you a statement based on our official records.

I will go out, myself, in October and the next time you ask me I will answer from more personal knowledge.

This time I shall ask Mr. Shirven to reply.

Senator DWORSHAK. You made a very definite statement there. You certainly ought to have something to justify it. I hope that this is true that you have given us an accurate picture, but if you have not seen it personally, I am fearful that you are somewhat lacking in experience in dealing with some of these problems because personally I do not rely on any report I receive.

I am somewhat like Senator Ellender, who has gone into the field and brought back reports that are in complete conflict with the reports we receive from people like you who sit here and testify.

Mr. SHIRVEN. May I comment if you please?

I am probably one of the sources of the official reports on which General Mead relied. There cannot be any question whatever that the political situation has immeasurably improved within the last year.

Senator DWORSHAK. It was very bad a few years ago.

Mr. SHIRVEN. It was very poor; it was dangerous to the U.S. base rights in the Ryukyu Islands, our greatest base in the Pacific.

That situation has completely changed. At the present time the leftwingers cannot drum up any popular support on any issue whatever.

#### LAND SETTLEMENT BETTERED POLITICAL CLIMATE

Now, unquestionably the major contributing element to the improvement in the political situation was the settlement of the land issue. There cannot be any doubt about that.

I am not a land appraiser, but it may be that our land rentals are high, they certainly appear high by comparison, as you gentlemen have pointed out. Nevertheless, this is a price we are paying for political stability in the Ryukyu Islands and for the right to use this base without which our entire military position in the Far East would be threatened.

We do not feel that we should haggle about a few dollars in land rentals when we consider the benefit that we are now reaping from this settlement.



## ATTITUDE OF JAPAN

Senator DWORSHAK. What about the reports a few years ago that Japan was not very happy over the situation in the island? Has that attitude changed, or has Japan been quite cooperative over the past few years?

Mr. SHIRVEN. The Japanese Government has been very cooperative with us throughout, over a period of time.

## COMMUNIST ACTIVITY

Senator DWORSHAK. A few years ago there was elected some alleged Red, or even several of them, to the council there in the capital. What has happened to that situation?

Mr. SHIRVEN. There was a Red tinged mayor, possibly a Communist mayor, who was elected a few years ago. He was removed by the city council a little more than a year ago. I have forgotten the exact date. In any case, he was removed by vote of the city council, itself.

We now have no particular problem in the city of Naha.

Senator DWORSHAK. That is an encouraging report.

General, I may have to modify my comment. Maybe you had justification for making the statement you did.

General MEAD. Thank you.

Senator DWORSHAK. I was fearful you were a little bit too naive in accepting a report without checking on the report personally. I do hope when you go over there - you appear to be a tough, two-fisted old general -

Senator ELLENDER. Old, you said?

Senator DWORSHAK. I meant in experience. He looks like he has had a lot of experience.

I am sure that he has had, and on that basis I am going to expect you to check up because this does seem to involve such an encouraging change from the stories that we have been receiving here for the past 4 or 5 years that I feel very much encouraged.

I hope that you will be able to carefully make a personal survey of that.

I want to say to you, Mr. Shirven, that I do think probably there has been a change in administrative policy which has made it possible for this improved relationship.

I visited the islands in September of 1956, right after you had that hurricane, so much damage, a lot of buildings were destroyed. I was only there 16 hours so I would not say I was able to make much of a personal checkup.

But I have recognized the strategic importance of the island in our Pacific defense and I have not been too happy in the past that we have not been able to stamp out much of this infiltration and this apparent influence on the part of the Reds there.

If that has been accomplished, I want to compliment whoever is responsible for it.

Chairman HAYDEN. Senator Monroney.

## ADVANTAGES OF POSITION

Senator MONRONEY. General Mead, is it not a fact that we enjoy a peculiar and very beneficial position in these islands in that we do

not have to worry about the political situation, anti-American feeling, that leads to the reduction or impingement upon our status of forces there and that we do not have to worry about a changed administration taking our bases away or a temperamental chief of state saying "If I can't have the atomic weapon you can wash out three or four hundred million dollars worth of bases and take them elsewhere"?

Now, this is one spot in the Far East where we can remain as long as we feel the situation makes it necessary and put troops, armament, and stockpile weapons without having to consult or get through to a parliament of a friendly nation; is that correct?

General MEAD. I cannot say categorically yes to this proposition. As to our treaty rights, yes sir. However, I ask you to speculate for a moment, if you will, sir, what would be the condition if the local chief executive on the indigenous side were to employ the passive resistance tactics of Mr. Ghundi.

In other words, a very passive cooperation or a failure to cooperate with us could destroy our best laid plans.

Senator MONRONEY. That is right, if we intend to build up our forces in the Far East.

It is rough on some governments, even though they may consider themselves strong, to invite additional forces and additional weapons that would be under the absolute control of the United States.

But here they are under that control. So it is something on which I think we ought to assess a rather high priority value.

General MEAD. We need to continue to preserve our position. We need to insure that we don't have a passive cooperation to destroy the effectiveness of our position.

Senator MONRONEY. That is right, and the tranquillity of the island would perhaps have a substantial yield, if they are doing well, in reducing the amount of security, local security forces and law enforcement that we would have, would make for better workers among the native population than if there are elements at work that feel they are being unfairly dealt with by the great colossus of the West; is that right?

General MEAD. Yes, Senator.

#### POSSIBILITY OF TAKING LESS VALUABLE LAND

Senator MONRONEY. I would like to ask about one thing, which I kept hearing about 2 or 3 years, and I wrote several letters at the time these large land takings were being made. I quite agree with you on the fantastic attachment of the Ryukyans to their soil. They would almost rather part with their families than part with their land.

There is perhaps nowhere else in the world where this is more apparent. But has there been any study that in the future land taking we can take some of the nonarable land?

My reports were that we always took the very best land and, consequently, did earn the hatred of a large number of people who had to give up the land on which they had lived for generations while there were other lands farther up from the shore that we could have taken on which the water and soil was less desirable, but could have been made available for some of the uses that we required.

General MEAD. I think I would like to ask for help from the Marines on this because they have been the most recent takers of land.

Major, will you step up again and comment on this, please.

Major WALL. From the Marine standpoint, the land that we have just recently taken, most of it is needed for permanent training areas for the Marine Corps. In that case we have taken all the most unusable land that we possibly could take and still use for training purposes.

In our work with the High Commissioner, people, and the civil administrator on Okinawa, we have excluded wherever possible areas that could be used for farming and so forth, and our boundaries out in that area are very, very irregular as a result of that, up little valleys, excluding rice paddies which we have no use for and do not want to pay money for rent when we could not use them, but we have made every effort we can in our large takings to exclude usable land.

Our campsites, by necessity sometimes, have to take some good land.

Senator MONRONEY. Your utilities have to be put up and the cost would be prohibitive if you went up very far in the mountains or hills.

#### BASIC POLICY OF CIVIL AND MILITARY GROUPS

Mr. WOHL. Senator, it is the basic policy of the civil administration and the military forces in Okinawa to keep our land requirements down to the absolute minimum and in so doing to take within those, none, if possible, of the lands which are usable by the local economy. The large land takings which were originally acts of war in 1945 and 1946, which did not include arable acreage, were in essence the completion of any takings of that nature.

Since that time we have done everything in our power to give back to the local economy the arable lands and to keep any further takings down to the irreducible minimum.

Mr. SHIRVEN. In the case of the Marines, most of the land taken by them for training purposes is publicly owned land on which we do not, of course, pay any rental.

In other words, we have in mind not only the welfare of the individual Ryukyuan people, but also the economy of the U.S. Government.

Senator MONRONEY. I am glad to know that that is being looked after because in the early days I received many, many complaints from men who had been over there who felt we were grossly miscalculating the land and could have gone to greater limits to take nonarable land.

#### TYPES OF LAND TAKEN

Mr. SHIRVEN. As of January 15, 1959, we held 66,822 acres of land of which only 16,500 was arable lands.

I would like to point out to you, sir, to correct earlier statements, that a certain proportion of the land which we occupy is not agricultural land, but is commercial- or urban-type land.

Naturally, that has a much higher value per acre. Naha is a city of 200,000 people and urban land in the city of Naha runs about the same price as land in comparable cities in the West.

Chairman HAYDEN. Senator Ellender.

## OTHER COSTS

Senator ELLENDER. There is one question I would like to ask about the cost to us.

In addition to the rentals we have been discussing, are there any other costs that we must pay to the authorities there to remain in Okinawa?

Mr. SHIRVEN. We do not pay the Government of the Ryukyu Islands or any local authority anything.

Senator ELLENDER. When you say we, you mean the civil administration?

Mr. SHIRVEN. The United States does not pay anything to the local government.

Senator ELLENDER. Are we to understand that the program that you have there now is the one that you are now discussing and is the only one?

Mr. SHIRVEN. This is a grant program.

Senator ELLENDER. That is the only one?

Mr. SHIRVEN. That is the only grant program and there are no payments for anything to the Government of the Ryukyu Islands.

Senator ELLENDER. Do you know whether or not the Army or the Defense Department pays anything?

Mr. SHIRVEN. The Defense Establishment does not pay anything to the government of the Ryukyu Islands other than certain payments for land rentals.

Incidentally, we do not pay rent on public lands.

## EARLIER CONSTRUCTION PROGRAM

Senator ELLENDER. I understand that. As I recall, we have spent a considerable sum out of money in the military assistance program to construct most of their public buildings there.

As I recall also there were quite a few million dollars spent to establish schools, hospitals, and structures of that nature. Now is anything being done, aside from what we are talking about at the moment, to assist the people there?

Mr. O'FLAHERTY. Senator Ellender, the construction to which you addressed yourself was carried out under GARIO.

This is in substance the successor appropriation under another title.

## TOTAL EXPENDITURES

Senator ELLENDER. You do not remember the total mount we spent there?

Mr. O'FLAHERTY. In 1950 the appropriation was \$50 million. It has been rapidly decreasing since that time.

Senator ELLENDER. How much altogether?

Mr. O'FLAHERTY. Altogether some \$160 million. If necessary, I will correct that figure, but I think it is approximately 160.

## RENTAL ON PUBLIC LAND

Senator MONRONEY. Could I ask one more question?

Chairman HAYDEN. Yes.

Senator MONRONEY. General, if we are going to interject \$3 million worth of aid, would it be better to pay that as rental on public lands to get away from the idea of handouts and unearned increment to countries which rarely seem to appreciate it if it is a gift?

General MEAD. I think that is a matter, Senator, that we have not studied.

Mr. SHIRVEN. May I comment on that?

Senator MONRONEY. Yes.

Mr. SHIRVEN. Politically, it is probably more valuable to us to make a grant than it is to make the same payment in the form of payment for land, because in that case there would be no particular credit attaching to the United States. It would be interpreted to mean that we had simply paid moneys which were owing to the government of the Ryukyu Islands.

In the case of a grant, of course, we can expect some credit.

In addition to that, when we make this grant payment we do retain some control over the use to which the funds will be put.

We can determine that they will be spent to build a hospital, for example, or for school construction, or for the tuberculosis program, whereas if these funds were available in the payment of land rentals we would have no control over their use.

Mr. O'FLAHERTY. May I comment that the payments for land rentals, of course, are made to private individuals. The payments in this budget request are to the society as such, not to selected individuals.

Now, there are about 50,000 landowners involved in this.

Senator MONRONEY. I am talking about the public lands of which he said you received free use.

#### U.S. LAND POLICY

Mr. WOHL. It is the U.S. policy, worldwide, in all areas where we are the users of public land, that the host government provides these lands for our use with no rental payments by the United States.

If we were to make payments within the Ryukyu Islands for public lands to the Government of the Ryukyu Islands it would be completely contrary to the policy of the United States.

Senator MONRONEY. How about our Libyan bases and North African bases? If you will check that you will find that there is pretty heavy renegotiation the other way around.

Mr. SHIRVEN. As of this year we had 23,000 acres of publicly owned lands on which we were not paying rent.

If we were to pay rent, of course, the amount involved would far exceed \$3 million, I am afraid, sir.

Senator MONRONEY. Not if it is nonarable. I understand that land which is almost worthless when it is not arable is extremely valuable where it is cultivated and improved.

Mr. SHIRVEN. It is true that most of it is nonarable land.

#### JUSTIFICATION FOR INCREASED AID

Senator DWORSHAK. Mr. Chairman, was testimony submitted to show why there should be an increase in this aid to the Ryukyuan economy? What was the increase over last year?

Senator ELLENDER. Four times more.

Senator DWORSHAK. Was there some testimony to justify that big increase? Does the economy need more bolstering and more assistance now and, if so, what is responsible for that trend?

Mr. O'FLAHERTY. Senator, the basic justification for this increase stems from the fact that the level of assistance which had been authorized by the Ryukyu Islands in the last few years was simply and honestly below that which is required for us to do our job there. Without provision of assistance at approximately this level, \$4 million, we cannot expect to accomplish the objectives as stated in the President's executive order which instructs the Secretary of Defense to continue to promote the welfare and well-being of the people.

There is specifically an increase in the demands on the Government of the Ryukyu Islands for public health and public safety activities, increasing as our bases expand there.

It imposes on that government the necessity to employ more police, to take more sanitation and public health measures, and it is to some extent to meet this that we are asking for an increase.

Senator DWORSHAK. Mr. Shirven, a while ago testified the political climate had greatly improved. It seems a little inconsistent now to ask for additional funds in the face of this vast improvement.

If the conditions had been deteriorating I can readily understand why you might need additional funds, but if the conditions have so greatly improved, it seems that if you are doing the job very effectively, you should not ask for additional money.

Mr. O'FLAHERTY. The improvement in the political climate which we are very happy to report to you, stems in part from the very fact that the United States has been manifesting a greater interest in the welfare of these people and when they received the knowledge or word that the President had submitted a budgetary request in the amount of \$4 million as against \$1 million last year, this had a great impact on the attitude of the people. It was not simply the settlement of the land question or the introduction of dollar currency, but the whole attitude of the relationships between the U.S. Government and the people there.

Senator DWORSHAK. We have gone overboard in some areas of the world where we have tried to be sympathetic and extremely liberal, too; and to our amazement we find that instead of improving the situation it has deteriorated.

I certainly hope that you are not going to jeopardize the situation that you have now in the islands.

Mr. SHIRVEN. Senator Dworshak, I would like to make it clear that we are not here requesting funds solely for the welfare of the Ryukyu Islands. What we are doing is buying a military base which we must have.

Senator DWORSHAK. Nobody disputes that question and I was very much pleased to have your fine report a few minutes ago.

It seems to me that you are making that steady progress, that you should move cautiously.

#### DATA INDICATING PROGRESS

Mr. SHIRVEN. Let me give you some specific data, Senator Dworshak.

We think, of course, we cannot stand still, we cannot rest on our oars merely because we have achieved a satisfactory situation; we cannot drift because the situation will then deteriorate.

The per capita national income of the Ryukyu Island in 1958, for example, was \$174.

Senator DWORSNIK. What year was that?

Mr. SHIRVEN. Fiscal year 1958. We estimate that for fiscal year 1959, just closed, that will increase to \$180. That is an increase of about 3 percent which, of course, is not a tremendous rate of increase.

If we can receive the amount that we have requested in assistance for fiscal year 1960, the appropriation which you gentlemen are now considering, we believe that we can increase the per capita national income to \$195. This will still be less than \$200 per person, substantially lower than the per capita national income of Japan, but that will, nevertheless, be a satisfactory rate of increase.

We believe that if we can increase the per capita income in the Ryukyus at approximately the same rate as the per capita national income in Japan is increasing, these people will have no cause for complaint.

Whereas, if they should increase at a slower rate or go backward, they would then have a legitimate cause for complaint.

#### MUTUAL SECURITY

(The following was later submitted:)

(See p. 522)

#### SOUTHEAST ASIAN REGIONAL TELECOMMUNICATIONS PROJECT

No funds are requested in fiscal year 1960 for this project, which was approved by ICA in April 1956.

The project was designed to provide modern communications facilities necessary for economic development and for strengthening military capabilities in southeast Asia. Three countries are now participating in the project—Laos, Thailand, and Vietnam. Cambodia had been invited to participate, but the Cambodian Government did not join in the project.

Under this project it was proposed to make an engineering study, prepare designs and specification bid tenders, and supervise construction for the improvement and expansion of the internal telecommunications facilities and services of Laos, Thailand and Vietnam and such adjoining countries as ICA might designate as well as international services to develop the best practical regional telecommunications network for the area. To accomplish this a contract was negotiated with a joint venture of two engineering firms. The contractor began its work under a letter of intent issued on December 19, 1956. A contract was signed on February 6, 1957.

The contractor developed what it called a fundamental plan for the regional system by February 1958. The plan was examined by ICA and a telecommunications consultant from private industry. This examination showed the plan was inadequate and needed revision and expansion in several particulars.

The services of the engineer were terminated as of June 30, 1958 by ICA pursuant to a written notice. Vouchers in the amount of about \$1.1 million have been authorized to pay the engineer for services rendered.

Then another engineering firm was engaged to make necessary corrections and revisions in the fundamental plan. When this was accomplished it became necessary to select an engineering contractor to be responsible for all engineering and detail design and specifications as well as supervision of construction for the rehabilitation of the existing facilities and the development of the toll system and exchange system in each country. The same contractor will have full responsibility for management advisory and training programs and for the training of host country personnel necessary for the technical design, operation, maintenance, and construction of the proposed systems.

A letter of agreement, dated November 19, 1958, was issued to the latter engineering contractor authorizing initial operations to rehabilitate existing telecommunications facilities and the undertaking of the performance of the other engineering services required in connection with the project, including supervision of construction. A definitive contract for the work to be performed in Vietnam is now being negotiated. Upon approval of this contract it will become the prototype for the contracts relating to Thailand and Laos.

Construction costs for the three-country system are estimated at \$27.6 million, which has been provided largely from the President's Fund for Asian Economic Development. It is not planned to request any additional funds.

The project is complex, involving the development of administrative arrangements with three sovereign countries. In the opinion of ICA, the progress of the original engineer was not adequate to meet conditions as they were developing. The need for rehabilitation of existing communications facilities in the three countries was greater than originally foreseen. The necessity for completing the detailed design engineering phase before commencing construction is of the utmost importance to the success of the project. Intricate arrangements to finance the construction had to be established. All of these factors contribute to retarding the progress of the project.

### PROGRAM IN VIETNAM

(See p. 524)

Colegrove articles make the sweeping allegation that the aid program in Vietnam is a fiasco and a scandal. However, even Mr. Colegrove contradicts the allegation that the program is a fiasco by his statement: "We have accomplished our main mission. We have kept Vietnam from Communist conquest and from economic collapse." These accomplishments are important and indicate that the program has been a success, as various competent witnesses have testified. This is particularly evident when one remembers the devastation and chaos that prevailed in Vietnam when President Diem assumed the reins of government in 1954 and when our aid program began in fiscal year 1955.

The charges of hidden scandals in the administration of the aid program have not been substantiated. In this connection it is important to note that Mr. Colegrove failed to consult with the USOM Director, the USOM Comptroller and others who had knowledge of the facts, to verify his information.

For the information of the committee a point-by-point answer to the Colegrove charges is attached. Illustratively, comment on several of the more important points raised in the articles follows:

#### *Allegation*

"\* \* \* We forked over bundles of American cash to these dglng inexperienced Vietnam Government, and then looked piously at the ceiling while the money melted away" (first article).

"We are also giving, outright, millions in cold U.S. cash to a country that has a desperate scarcity of skilled accountants, let alone trained Government administrative help. Nonetheless once we arrange to deliver a batch of money for goods to free Vietnam, that's it. American officials wash their hands of further responsibility" (second article).

#### *Comment*

No "cold U.S. cash" is being given outright to Vietnam. Cash grants were given to Vietnam during fiscal year 1955 and the first half of fiscal year 1956 to meet emergencies, but not since that time.

It is not true that American officials wash their hands of further responsibility once a particular item of aid has been agreed to. Complaints of irregularities are investigated; American technicians follow the technical aspects of projects; the Comptroller's Office conducts audits and end-use checks, examining whether or not funds and supplies have been used in line with agreed purposes; and the International Cooperation Administration (ICA) in Washington conducts comprehensive field audits checking on actions taken by the field mission.

Despite the shortage of accountants and trained administrative personnel, which has been substantially reduced during recent years, we believe that accounts are being handled capably by the Vietnam Government, aided by these factors:

(a) Vietnam's National Budget and Accounting Office is widely regarded as a model installation. Its thoroughly competent and devoted staff effectively



utilizes IBM equipment. This operation has been visited by officials of other Asian countries who wished to study the feasibility of converting their systems to that in use in Vietnam. It has also been inspected and praised by American observers.

(b) With USOM technical advice, the latest methods of stock and inventory control have been set up in the Vietnamese Foreign Aid Administration's Central Purchasing Agency (CPA). This agency was established in 1956 and now purchases, receives, warehouses, and distributes the bulk of project-commodity procurement under the U.S. aid program. It has handled procurement as follows: 1956, \$40,000; 1957, \$3.5 million; 1958, \$7.5 million. A recent analysis of ICA refund claims showed no claims involving CPA activities. For a group of "unskilled accountants and untrained administrators," this is a remarkable performance.

(c) Extensive courses in accounting techniques and in the use of modern business machines have been and are being conducted under the joint auspices of USOM and the Vietnamese Government. These courses have been so successful that the panel appointed to supervise the program is gradually being phased out because the Vietnamese staff is developing great proficiency.

#### *Allegation*

"\* \* \* We've done little to guide Vietnam toward the day when she can support herself. This country has a terrible financial problem. Our 'solution' has been to put her on the dole. She may be there 10 years, 25 years—or forever" (first article).

"We spend and spend, and our Government experts haven't proposed a single new answer to the problem. All they can come up with is determination to maintain the status quo. We'll never solve the economic problem this way. Meantime, these people are living off our handouts and are quite satisfied to do so" (second article).

"Then he [President Diem] added significantly: 'Many experts think undeveloped areas like South Vietnam will need help for 25 years'" (second article).

#### *Comment*

In applying aid funds in Vietnam it has been necessary to do first things first. When this program first began in fiscal year 1955, the status quo included a number of elements dangerously threatening the survival of that country as a free nation. There was a potentially very serious threat of inflation, which could have destroyed any possibility of an effective military or development effort. Towns and countryside had been devastated by 8 years of civil war, which left Vietnam's economy in ruins and its society disorganized. Free South Vietnam had to care for the influx of hundreds of thousands of refugees fleeing from Communist North Vietnam, who lacked shelter and the necessities to sustain life. The majority of these had no means to make a livelihood. Had the aid administrators really been content with the status quo, these glaring problems would have gone unattended, and free Vietnam would probably have gone Communist well before now.

The Vietnamese have often made it clear that they do not enjoy their status of economic dependence on the United States. Under the circumstances, however, they realize the need for and appreciate our aid. In frequent expressions of concern over this situation, high officials emphasize their determination to achieve economic independence as soon as possible. But the facts are that Vietnam is still technically at war, and that what semblance of peace there is depends on a precarious cease-fire agreement. Therefore, it must finance a substantial military force to meet the threat posed by the larger armies in the north. It is also continually threatened with internal subversion, plotted, contrived, and carried out by Communist Imperialists. For these and other reasons, Vietnam has a major problem in restoring stability and developing its economy.

The Vietnamese leaders realize that if they do not maintain their military strength they would be dangerously vulnerable. They cannot yet finance their army and police and civil guard at the levels required and also maintain basic civilian services, without the assistance that foreign aid gives. What we presume Mr. Colegrove calls the dole, namely the import of consumer and other goods for sale within Vietnam, is in fact the soundest way in which the United States can help Vietnam maintain its security forces and carry out other essential activities without serious inflation.

When President Diem saw Mr. Colegrove's statement in the first article, inferring that Diem had said "that Vietnam may be on the dole for 10 years, 25 years—or forever," he told the U.S. Ambassador that in discussing this general question with Mr. Colegrove he had stated that many foreign experts had told

him that it might take 25 years to improve the situation in all the underdeveloped countries in the world. President Diem stated that he had not implied in any way that Vietnam would need aid for that length of time but had talked in terms of "3, 5, or 8 years depending upon the rate of progress."

Fortunately, with aid given to help deal with these problems, Vietnam has now achieved a considerable part of the security, economic stability and repair of war damage prerequisite to undertaking a sound program of economic development. Furthermore, many concrete accomplishments have already been achieved since our aid program began, as follows:

1. The internal situation has been brought from chaos to basic stability.
  2. The Vietnamese armed forces have been built up from an ineffective disorganized force to one which is well on the road to becoming a cohesive, well-trained fighting force.
  3. Under MAAG supervision the Vietnamese army engineers have built a new, important all-weather road from Kontum in the northeast to the coast.
  4. Vietnamese civilian engineers are now beginning to build excellent roads on their own, using techniques and methods taught by American advisers.
  5. A new highway from the coast to the interior, which has opened new fertile lands for settlement, is practically completed; another road farther north from the coast to the interior is well underway.
  6. The country's principal railroad, destroyed in great part by the Communists, has been rebuilt to the demarcation line dividing Vietnam, and through trains are running from Saigon.
  7. Rice production has increased substantially so that the amount available for internal consumption and export has risen from 1.8 million tons in 1954 to about 3 million tons for 1958.
  8. French planters have taken advantage of the Vietnamese Government's loan program to extend the area of their rubber plantings. New rubber plantings have risen from a low of 325 acres in 1955 to 4,740 acres last year.
  9. A sugar refinery, destroyed by the Communists, has been rebuilt and surveys for other refineries are well advanced. These will produce enough sugar to meet internal consumption requirements.
  10. A factory manufacturing miscellaneous rubber products, destroyed by the Communists, is being rehabilitated and another factory to make tires for bicycles and scooters has been designed and should be erected in the near future.
  11. A jute mill adequate to meet the country's needs for burlap bagging has been reequipped. A 20,000-spindle textile mill and a large glass factory are under construction, and scores of smaller industrial plants have been established or enlarged.
  12. In Vietnam's land reform program, as of the end of February 1959, a total of approximately 250,000 acres had been surveyed and allotted to 115,410 new owners. It is expected that the land transfer program will be completed by mid-1960, when about 1.7 million acres will have been transferred to new owners.
  13. Over 50,000 persons from the crowded coastal area have been settled on government-owned land in the high plateau where they are now raising hard fibers and expect to raise other commercial crops which will diminish the foreign exchange demands of the economy.
  14. The government of Vietnam's Ministry of Information, with equipment and technical assistance supplied by the USOM, has established and is now operating about 1,100 community radio listening centers and information halls. These centers are scattered over the entire country. Through them many thousands of listeners regularly receive news and information, consolidating understanding between Government and people.
  15. Airports have been improved and built.
  16. Air navigational aids have been installed at Tourane and Saigon.
  17. Navigational aids have been installed on the Saigon River so as to permit travel by night, thus facilitating ocean shipping.
  18. Improvements in irrigation and drainage facilities have been supplied to 287 village irrigation systems, benefiting 450,000 acres of arable land.
- As a result of progress along these lines, it has been possible to reduce substantially the amount of U.S. assistance given to Vietnam for both defense support and technical cooperation. Over the first 2 years of the period fiscal year 1955 through fiscal year 1959, aid averaged about \$263 million per year, as compared with an \$180 million average for the last 2 years of this period. Clearly, a significant start already has been made toward the day when Vietnam can support herself. Present programs include a variety of projects designed further to speed Vietnam's economic independence and social development.

*Allegation*

"We are buying jeeps, trucks, guns, tractors, factories, even whole radio networks for an infant farm economy nation that quite admittedly lacks the know-how to use them. Of free Vietnam's 13 million people, there are only 300 trained technicians and engineers by its own Government's count" (second article).

*Comment*

Aid equipment is not turned over to incompetents. To train personnel to handle such equipment properly the USOM and the MAAG have conducted scores of training programs, ranging from a few weeks to as much as 2 years.

If the term "technician" is understood to include tractor operators, mechanics, and similar skilled workers as well as engineers, which one would have to infer since the allegation includes reference to jeeps, trucks, tractors, and factories, the number is far beyond the 300 indicated.

Of the more than 30,000 persons trained under USOM programs, at least 5,000 would fall within the foregoing definition of "technician." The Capitol Engineering Corp., a USOM contractor, trained 134 technicians and conducted a 9-month high-level course on highway engineering for public works engineers. Johnson, Drake & Piper, another USOM contractor, apart from training some 1,800 technicians to handle all heavy highway equipment, is now conducting its second 4-month, 8-hour-a-day, 6-day-a-week course for 30 highway supervisors. Others have been trained to serve as dredge captains and crew, well drillers, pump maintenance men, welding experts, and diesel engine operators.

Similarly, the MAAG has trained over 33,000 personnel for periods varying from 4 to 26 weeks or more. Of these, 209 are graduates of the U.S. Army Engineering School at Fort Belvoir, Va. Others were trained in such fields as radio repair, vehicle maintenance, metalworking and welding.

This training includes what is done under our exchange-of-persons programs—whether conducted by USIA, ICA, or the Department of Defense—under which qualified persons are brought to the United States for extended periods of study. We believe it is one of the finest ways in which we can cooperate with our friends abroad.

*Allegation*

"\* \* \* the American Government pitched in about \$71 million (2.5 billion piasters) to bring south and care for some 600,000 refugees. Almost 3 years later, in 1957, we asked for the free Vietnam Government to please tell us how it spent the piasters. The Vietnamese accounted for \$34 million—and left \$27 million unaccounted for" (second article).

"A few polite requests later, the missing amount was down to \$22 million—of which, they explained to us, some \$8 million unfortunately must have been burned in a 1955 fire. 'We will give you the records on the remaining \$14 million in the near future,' the Vietnamese explained. That was 2 years ago. My sources insist the accounting was never completed; the fate of many millions remains unsolved" (second article).

*Comment*

Despite the difficult, almost wartime conditions which prevailed during this vast dramatic, and successful refugee movement, when as many as 5,000 to 10,000 persons a day were pouring off the ships at Saigon, we did obtain a satisfactory accounting for the counterpart funds which supplemented the Vietnamese Government's own funds used for this purpose.

A USOM audit report on U.S. aid given during this period, made in March 1958, explains the problems of accounting for some of the piasters provided for Operation Exodus under the fiscal year 1955 program. That report contains the conclusion that:

"Expenditures totaling VN\$1,430,889,967, have been fully documented by various ministries and agencies of the Government of Vietnam. This is VN\$20,444,967 in excess of the ICA-financed contribution of VN\$1,410,445,000."

As explained during the course of the testimony, Vietnamese and U.S. funds were pooled, of necessity, because of the emergency conditions that prevailed. However, the 1,410,445,000 piasters (equivalent to \$40,289,428) contributed by the United States were considered fully accounted for, according to the final conclusion of this audit report:

"The active audit and review of Operation Exodus documentation can now be considered completed."

The \$71 million referred to in the allegation concerns not only the counterpart funds provided in 1955 for Operation Exodus but also the piasters provided in 1956 for refugee resettlement. Since the emergency had abated by the time fiscal year 1956 funds were required, U.S. counterpart piasters and Vietnamese budget piasters could be and were handled separately and the normal ICA accounting procedures were followed for the counterpart funds.

The statement that "some \$8 million unfortunately must have been burned in a 1955 fire" needs clarification. What was burned was not currency, but documentation covering the expenditure of piasters. This was not an ordinary fire or one deliberately set, but one that occurred during the Battle of Saigon, when the refugee commission headquarters was located between two warring forces; the Government and the Binh Xuyen. Currency was stored in fireproof safes and was recovered; documentation not so protected, was burned.

#### *Allegation*

"\* \* \* at least 90 percent of the Americans never leave Saigon overnight" (fourth article).

#### *Comment*

It would be much closer to the truth to say that 90 percent of the official Americans in Saigon have spent many more than 1 night in Vietnam outside the capital city.

A number of U.S. personnel live outside Saigon, particularly military personnel who are stationed at a number of locations. Also, there is an American consulate in Hue, and there are USIS centers in Hue and Can Tho. 141 members of the staffs of the Capitol Engineering Corp. and of Johnson, Drake & Piper live outside Saigon in work camps; and there are 9 persons from the International Voluntary Services working outside Saigon on USOM projects.

Of those stationed in Saigon many make frequent visits to various parts of Vietnam. Official statistics show that U.S. military personnel in Vietnam averaged more than 450 trips to the field every month. USOM personnel make an average of about 90 trips monthly outside Saigon. Members of the small USIS staff made 35 official trips outside Saigon for a total of 170 days during fiscal year 1959.

Officers of the Embassy staff whose duties require travel, including members of the Service attaché staffs and the Ambassador, are continually visiting practically every region of the country. The Ambassador, for instance, has been out of Saigon for more than 60 trips in the past 2 years and has visited and revisited all areas of South Vietnam. These visits have lasted from 1 to 9 days. The USOM Director travels as frequently, and has made extensive visits throughout all South Vietnam.

Administrative, clerical, and other personnel whose duties do not require official travel make frequent unofficial trips to other parts of Vietnam while on leave or during holidays. No statistics are kept on this travel but such trips are being made by virtually all personnel of U.S. missions in Vietnam.

## MUTUAL SECURITY

(See p. 573)

### CUMULATIVE MUTUAL SECURITY DELIVERIES/EXPENDITURES AND UNEXPENDED BALANCES

#### *Far East region*

[In thousands of dollars]

|                          | Deliveries/<br>expenditures<br>through June<br>30, 1959 | Unexpended<br>balance, June<br>30, 1959 | Fiscal year<br>1960 pro-<br>gram |
|--------------------------|---|---|----------------------------------|
| Military assistance..... | 4,910,523   | 804,852                                 | 567,244                          |
| Economic assistance..... | 4,946,597   | 636,076                                 | 593,400                          |
| Total.....               | 9,857,120   | 1,440,928                               | 1,160,644                        |

## STATUS OF PUBLIC LAW 480, TITLE I, PROGRAMS

Far East countries, as of June 30, 1959

(In thousands of U.S. dollar equivalents)

| Country              | Cumulative value of sales Agreements, June 30, 1959 |                            |         | Total shipments, <sup>1</sup> Jan. 1, 1955 to June 30, 1959 | Cumulative deposits, June 30, 1959 |                            |         | Appropriated to ICA, June 30, 1959 | ICA actual expenditures, June 30, 1959 (preliminary) |
|----------------------|---|----------------------------|---------|---|------------------------------------|----------------------------|---------|------------------------------------|--|
|                      | MSP uses  | U.S. uses and Cooley loans | Total   |   | MSP uses                           | U.S. uses and Cooley loans | Total   |                                    |  |
| Burma.....           | 32,550  | 8,150                      | 40,700  | 22,418  | 17,457                             | 5,235                      | 22,692  | 17,300                             | 1,717  |
| China.....           | 18,420  | 16,400                     | 34,820  | 19,654  | 10,156                             | 10,955                     | 21,111  | 10,158                             | 3,123  |
| Indonesia.....       | 101,600   | 35,400                     | 137,000 | 89,771  | 77,206                             | 19,300                     | 96,506  | 60,522                             | -----  |
| Japan.....           | 116,764   | 34,036                     | 150,800 | 135,064   | 113,103                            | 33,169                     | 146,332 | 114,520                            | 108,529  |
| Korea.....           | 134,490   | 30,540                     | 165,030 | 115,102   | 101,308                            | 25,381                     | 126,689 | 97,200                             | 97,200   |
| Philippines.....     | 8,300   | 6,100                      | 14,400  | 12,586  | 7,683                              | 6,100                      | 13,783  | 7,055                              | 5,145  |
| Thailand.....        | 2,050   | 2,550                      | 4,600   | 4,083   | 1,718                              | 2,550                      | 4,268   | 498                                | -----  |
| Vietnam.....         | 3,000   | 3,000                      | 6,000   | 5,800   | 1,613                              | 3,000                      | 4,613   | -----                              | -----  |
| Total, Far East..... | 417,174   | 136,176                    | 553,350 | 404,478   | 330,304                            | 105,600                    | 435,904 | 316,251                            | 215,714  |

<sup>1</sup> Estimated export market value excluding ocean freight costs.

## NOTICE OF MEETING

Chairman HAYDEN. Gentlemen, I would like to announce that tomorrow we will meet at 10:30. We have a request from the Bureau of the Budget to consider items relating to the Department of Agriculture; Commission on Civil Rights; Commission on International Rules of Judicial Procedure; Federal Aviation Agency; National Labor Relations Board; Housing and Home Finance Agency; Department of Commerce, Seattle Fair; Department of the Interior, Creek Indians; Department of Labor; Treasury Department; and the Bureau of the Mint.

Senator DWORSHAK. Another supplemental?

Chairman HAYDEN. That is an additional title we are going to put in this bill because it is the last opportunity to make appropriations this year.

Thank you, gentlemen.

(Thereupon, at 11:45 a.m., Monday, August 24, 1959, the committee was recessed, to reconvene at 10:30 a.m., Tuesday, August 25, 1959.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

TUESDAY, AUGUST 25, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
Washington, D.C.

The committee met, pursuant to recess, at 10:30 a.m., in room 1224, New Senate Office Building, Hon. Carl Hayden (chairman of the committee) presiding.

Present: Chairman Hayden, Senators Chavez, Ellender, Hill, Magnuson, Bible, Byrd, Saltonstall, Dworshak, and Allott.

Also present: Senator Jackson.

## COMMISSION ON CIVIL RIGHTS

STATEMENTS OF GORDON M. TIFFANY, STAFF DIRECTOR;  
LEONARD R. LIEF, GENERAL SERVICES ADMINISTRATION;  
MRS. CAROL RENNER ARTH, EXECUTIVE SECRETARY, AND  
ROBERT NELSON, LEGISLATIVE ASSISTANT

### BUDGET REQUEST

Chairman HAYDEN. The committee will please come to order.

The first item for consideration relates to the Commission on Civil Rights.

The sum of \$500,000 is requested to finance the Commission's expenses from November 8, 1959, the present expiration date, to the end of the fiscal year 1960. It is made contingent upon the enactment of legislation to extend the life of the Commission, as has been recommended by the President.

The regular 1960 appropriation bill for the State and Justice Departments, the Judiciary, and related agencies, provided \$280,000 to cover the Commission's expenses to November 9.

The estimate and supporting justification will be placed in the record.

All right, Mr. Tiffany, tell us about this request, please.

(The justification referred to follows:)

### "INDEPENDENT OFFICES

#### "COMMISSION ON CIVIL RIGHTS

##### "SALARIES AND EXPENSES

*"For an additional amount for 'Salaries and expenses', \$500,000: Provided, That this paragraph shall be effective only upon the enactment into law, during the first session of the Eighty-sixth Congress, of legislation extending the life of the Commission on Civil Rights."*

This proposed supplemental appropriation is for financing the Commission from November 8, 1959, the present expiration date, to the end of the fiscal year 1960. It is made contingent upon the enactment of legislation to extend the life of the Commission, as has been recommended by the President.

## JUSTIFICATION

Section 104, Public Law 85-315 provides that the Commission shall submit to the President and the Congress a final and comprehensive report of its activities, findings, and recommendations not later than September 9, 1959, and 60 days thereafter the Commission shall cease to exist.

After hearings on a bill to extend the life of the Commission for an additional 2 years, the House Judiciary Committee reported a "clean" bill (H.R. 8601) on August 10, 1959, which provides under title IV for such an extension with an interim report to be filed on September 1, 1959, and a final report to be filed not later than 4 years from the original enactment of the law. This bill is now in the House Rules Committee. No action has been taken on it.

Companion legislation was introduced (S. 960) which provides for a similar extension of the life of the Commission. Hearings have been held before the Senate Subcommittee on Constitutional Rights which reported a clean bill to the full committee extending the life of the Commission to January 1961 (S. 2391). The full Senate Judiciary Committee has not as yet taken action on the favorable recommendation of the subcommittee.

Various similar amendments which would extend the life of the Commission have been offered on the floor of the Senate but no action has been taken in the Senate.

\$280,000 has already been appropriated to finance the operation of this Commission for the balance of its life under the existing law, i.e., through November 8, 1959 (Public Law 86-84).

The present request for an additional supplemental appropriation of \$500,000 is conditioned upon some favorable action being taken by the Congress before the life of the Commission terminates. Such request was initiated by the Bureau of the Budget in accordance with the wishes expressed by the President on December 10, 1958. The \$500,000 will provide for the continuation of the work of the Commission through the fiscal year ending June 30, 1960.

*Program and financing*

|  | Presently available | Revised estimate | Increase  |
|--|---------------------|------------------|-----------|
| Program by activities: Investigations and study of civil rights matters (total obligations)..... | \$280,000           | \$780,000        | \$500,000 |
| Financing: Appropriation (new obligational authority).....                                       | 280,000             | 780,000          | 500,000   |

*Object classification*

|  | Presently available | Revised estimate | Increase  |
|--|---------------------|------------------|-----------|
| Total number of permanent positions.....         | 67                  | 67               | -----     |
| Full-time equivalent of all other positions..... | 2                   | 14               | 12        |
| Average number of all employees.....             | 25                  | 79               | 54        |
| Number of employees at end of year.....          | -----               | 85               | 85        |
| Personal services:                               |                     |                  |           |
| Permanent positions.....                         | \$154,000           | \$440,900        | \$286,900 |
| Positions other than permanent.....              | 14,500              | 93,800           | 79,300    |
| Other personal services.....                     | 1,500               | 3,300            | 1,800     |
| Total personal services.....                     | 170,000             | 538,000          | 368,000   |
| Travel.....                                      | 50,000              | 80,000           | 30,000    |
| Transportation of things.....                    | 100                 | 500              | 400       |
| Communication services.....                      | 15,000              | 28,000           | 13,000    |
| Rents and utility services.....                  | -----               | -----            | -----     |
| Printing and reproduction.....                   | 22,000              | 42,000           | 20,000    |
| Other contractual services.....                  | -----               | 15,000           | 15,000    |
| Services performed by other agencies.....        | 8,400               | 26,000           | 18,600    |
| Supplies and materials.....                      | 4,000               | 12,500           | 8,500     |
| Equipment.....                                   | -----               | 5,000            | 5,000     |
| Grants, subsidies, and contributions.....        | 9,000               | 30,000           | 21,000    |
| Refunds, awards, and indemnities.....            | -----               | 2,000            | 2,000     |
| Taxes and assessments.....                       | 1,500               | 2,000            | 500       |
| Total obligations.....                           | 280,000             | 780,000          | 500,000   |

## Average salary and grade

|   | Actual, 1959 |         | Estimated, 1960 |         |
|---|--------------|---------|-----------------|---------|
| Average GS grade and salary.....          | 7.8          | \$9,492 | 7.9             | \$9,600 |
| Average salary of ungraded positions..... |              | 3,962   |                 | 4,160   |

## Detail of personal services

|   | Presently available |              | Revised estimate |              | Increase (+) or decrease (-) |              |
|---|---------------------|--------------|------------------|--------------|------------------------------|--------------|
|   | Number              | Total salary | Number           | Total salary | Number                       | Total salary |
| Grades and ranges:  |                     |              |                  |              |                              |              |
| Special positions at rates equal to or in excess of \$14,190:           |                     |              |                  |              |                              |              |
| Staff director.....   | 1.0                 | \$22,500     | 1.0              | \$22,500     |                              |              |
| GS-16, \$14,190 to \$16,150:  |                     |              |                  |              |                              |              |
| Assistant staff director.....   | 1.0                 | 14,206       | 1.0              | 14,206       |                              |              |
| Director, office complaints, information, and survey.....               | 1.0                 | 14,206       | 1.0              | 14,206       |                              |              |
| Director, office laws, plans, and research.....                         | 1.0                 | 14,206       | 1.0              | 14,206       |                              |              |
| Executive secretary.....  | 1.0                 | 14,206       | 1.0              | 14,206       |                              |              |
| GS-14, \$11,365 to \$12,655: Legal assistant.....                       | 2.0                 | 80,495       | 2.0              | 80,495       |                              |              |
| GS-13, \$9,890 to \$11,090.....   | 4.0                 | 40,810       | 4.0              | 40,810       |                              |              |
| GS-12, \$8,330 to \$9,530.....  | 3.0                 | 28,142       | 3.0              | 28,142       |                              |              |
| GS-11, \$7,030 to \$8,230.....  | 4.0                 | 28,370       | 4.0              | 28,370       |                              |              |
| GS-9, \$5,985 to \$6,885.....   | 3.0                 | 18,262       | 3.0              | 18,262       |                              |              |
| GS-7, \$4,980 to \$5,880.....   | 9.0                 | 47,153       | 9.0              | 47,153       |                              |              |
| GS-6, \$4,480 to \$5,380.....   | 6.0                 | 31,367       | 6.0              | 31,367       |                              |              |
| GS-5, \$4,040 to \$4,940.....   | 6.0                 | 26,707       | 6.0              | 26,707       |                              |              |
| GS-4, \$3,755 to \$4,325.....   | 7.0                 | 27,706       | 7.0              | 27,706       |                              |              |
| GS-3, \$3,495 to \$4,065.....   | 10.0                | 36,336       | 10.0             | 36,336       |                              |              |
| GS-2, \$3,255 to \$3,825.....   | 1.0                 | 3,266        | 1.0              | 3,266        |                              |              |
| GS-1, \$2,960 to \$3,530.....   | 1.0                 | 3,536        | 1.0              | 3,536        |                              |              |
| Ungraded positions at hourly rates equivalent to less than \$9,800..... | 1.0                 | 4,160        | 1.0              | 4,160        |                              |              |
| Total permanent.....  | 67.0                | 455,634      | 67.0             | 455,634      |                              |              |
| Deduct lapses.....  | 44.4                | 301,634      | 1.2              | 14,734       | -43.2                        | -286,900     |
| Net permanent (average number, not salary).....                         | 22.6                | 154,000      | 65.8             | 440,900      | +43.2                        | +286,900     |
| Positions other than permanent: Intermittent employment.....            |                     | 14,500       |                  | 93,900       |                              | +79,300      |
| Other personal services:  |                     |              |                  |              |                              |              |
| Regular pay above 52-week base.....                                     |                     |              |                  | 2,300        |                              | +2,300       |
| Overtime and holiday pay.....   |                     | 1,500        |                  |              |                              | -1,500       |
| Personal services.....  |                     | 170,000      |                  | 538,000      |                              | +368,000     |

## GENERAL STATEMENT

Mr. TIFFANY. My name is Gordon Tiffany, staff director.

Since the Chairman of our Commission is on Government business in Labrador and the Vice Chairman is participating in a longstanding engagement at a meeting of the American Bar Association in Miami, it is my privilege to represent the Commission on Civil Rights here today.

I would like to introduce persons that I have with me. On my left is Mrs. Carol Renner Arth, who is head of the Division of the Secretariat in our Commission.

On my right is Mr. Leonard R. Lief, from the General Services Administration, who has been entrusted with the housekeeping duties of the Commission, including budget administration, under an arrangement set up at the beginning of the life of the Commission.

On my far left is Mr. Robert Nelson, my legislative assistant.



Chairman HAYDEN. Now, my recollection is there were six members of the Commission. Are all the positions filled?

Mr. TIFFANY. All positions are now filled, Senator. The vacancy created by the death of J. Earnest Wilkins, former Assistant Secretary of Labor, in January of this year, was filled by the nomination by the President of Dean George Marion Johnson. He was confirmed by voice vote of the Senate on June 4, 1959, and took his oath of office on June 9, 1959.

#### MEMBERSHIP OF COMMISSION

I might briefly give you the list of personnel on the Commission at the present time.

Our Chairman is Dr. John A. Hannah, president of Michigan State University and Chairman of the U.S. section of the Permanent Joint Board of Defense for Canada and the United States. He is former Assistant Secretary of Defense for Manpower and Personnel. He comes from East Lansing, Mich.

Our Vice Chairman, Robert G. Storey, is a former dean of the law school at Southern Methodist University in Dallas, Tex., where he is a resident.

Dean Storey is a former president of the American Bar Association.

The Honorable John S. Battle of Charlottesville, Va., is a former Governor of his State, member of the law firm of Perkins, Battle & Minor.

Doyle E. Carlton, also a former Governor of his State, practices law in Tampa, Fla.

The Reverend Theodore M. Hesburgh, is president of Notre Dame and is active in many governmental, educational, religious, and charitable organizations.

#### AMOUNT REQUESTED

Chairman HAYDEN. You are asking for \$500,000?

Mr. TIFFANY. We are appearing in support of a request for \$500,000, which was made through the Bureau of the Budget at the suggestion of the President that the life of the Commission should be extended for a period of 2 years in addition to that provided for under the existing statute.

Chairman HAYDEN. You had \$280,000 previously?

Mr. TIFFANY. We have received under the current appropriations \$280,000; yes, sir.

#### RATE OF EXPENDITURES

Chairman HAYDEN. How much of that remains unexpended?

Mr. TIFFANY. I would say that in the first month we obligated approximately \$70,000, sir.

Chairman HAYDEN. How many people do you have on your payroll?

Mr. TIFFANY. Sixty-seven, excluding consultants and the members of the Commission.

Chairman HAYDEN. What are your regular monthly expenses?

Mr. TIFFANY. As I say, the monthly expenses for July were about \$70,000.

Chairman HAYDEN. Do you think they will run about that rate?

Mr. TIFFANY. Well, I would expect that it will run somewhere close to that; yes, sir.

Senator ELLENDER. Mr. Tiffany, how long has the Commission been operating?

Mr. TIFFANY. The Commission, established on September 7, 1957, was nominated and commenced operations in January of 1958. The Senate confirmed these nominations in March of 1958 and my own nomination was confirmed in May of 1958.

#### OPERATIONS OF COMMISSION

Senator ELLENDER. From your inception, then, you have not had a full year of operation?

Mr. TIFFANY. We have had less than 2 years, approximately 16 to 18 months, sir.

Senator ELLENDER. But have you had as much as a full year of operation with your present staff?

Mr. TIFFANY. We have had a full year of operation; yes, sir. I took my oath of office in June of 1958, so we have been in actual operation with the present staff, varying, of course, in size, since that time.

Senator ELLENDER. During that period from last June to the present time, you have spent a total of \$280,000. Is that correct?

Mr. TIFFANY. No, sir. For the fiscal year ending on June 30, 1959, we have spent \$725,390.

Senator ELLENDER. Did you obtain that money for the 2 years the Commission has been created?

Mr. TIFFANY. It was just for the fiscal year ending June 30, 1959, 1 year.

Senator ELLENDER. You spent how much during that 1 year?

Mr. TIFFANY. \$725,390.

Senator ELLENDER. By asking for \$500,000, do you expect to discharge any of your present employees or do less work? Why are you asking for less money?

Mr. TIFFANY. No, sir; we are actually asking for a total of \$780,000 when we ask for this supplemental \$500,000.

Senator ELLENDER. You were awarded—

Mr. TIFFANY. We have already been awarded \$280,000 on the regular basis to last us for the termination period of this year.

Senator ELLENDER. So that the amount that you are now requesting, along with what you have already received, is approximately the same as what you spent in your first full year?

Mr. TIFFANY. It is approximately the same. We are not trying to expand, let me emphasize that. We are trying to carry on the job as we have started it, sir.

#### WORK OF STAFF PERSONNEL

Senator ELLENDER. How many employees do you have?

Mr. TIFFANY. We now have 67, full time.

Senator ELLENDER. Does that exclude the Commission?

Mr. TIFFANY. That does not include the six members of the Commission, Senator.

Senator ELLENDER. You have Mrs. Arth, who is secretary. How many people are under your direction, Mrs. Arth?

Mrs. ARTH. Approximately 15.

Senator ELLENDER. Is their work confined exclusively to secretarial work?

Mrs. ARTH. No, it involves the mailroom, the office services section, that type of activity.

Senator ELLENDER. Are you and your coworkers located in Washington?

Mrs. ARTH. Yes, sir.

Senator ELLENDER. You do not travel around the country?

Mr. TIFFANY. We have our offices at 726 Jackson Place, almost opposite the White House, Senator.

Senator ELLENDER. That accounts for 15. What is the character of the rest of your employees?

Mr. TIFFANY. We have four Divisions, Senator. The first one I would say is the Division of Laws, Plans, and Research. That is largely devoted to the study of legal developments and the writing of material for our report.

In that group we have most of our lawyers.

Senator ELLENDER. What do you call that Division?

Mr. TIFFANY. Laws, Plans, and Research.

Senator ELLENDER. Laws, plans, and research.

Who sets out the work for these people?

Mr. TIFFANY. The continuing day-to-day responsibility is on the Director's Office, sir, but we have a Chief of this Division, Mr. Rufus Kykendahl, who was formerly the U.S. delegate to UNESCO, appointed by the President, as Chief of the Division.

Senator ELLENDER. How many are there in your Laws, Plans, and Research Division?

Mr. TIFFANY. It is approximately 30, I am advised, sir.

Senator ELLENDER. How many of those are lawyers?

Mr. TIFFANY. I would say one-half would be lawyers.

Senator ELLENDER. And the others?

Mr. TIFFANY. The others are largely secretarial personnel, sir.

Senator ELLENDER. Secretarial?

Mr. TIFFANY. Yes, sir.

Senator ELLENDER. Are they under the secretariat?

Mr. TIFFANY. No, sir; those are not directly under the secretariat. Some of them are. But for the most part they fall in that division.

Senator ELLENDER. Are they located here in Washington?

Mr. TIFFANY. They are located here in Washington, Senator.

#### WORK OF CONSULTANTS

I would like to add to this picture by saying we have been fortunate in obtaining the services of some outstanding consultants who are also in this Division.

Senator ELLENDER. You mean on a temporary basis?

Mr. TIFFANY. On a temporary basis. Dr. Robert Rankin, for example, is head of the department of political science at Duke University. He comes to us.

Prof. Paul Sanders of Vanderbilt University Law School, is on our staff as a consultant.

Senator ELLENDER. What kind of information do you get from them? What is the nature of this information?

Mr. TIFFANY. The nature of the information they provide us with is largely with respect to our duty to study and collect information

concerning legal developments which may constitute denial of equal protection of the laws under our Constitution.

That is referred to under section 104 of our statute, sir.

Senator ELLENDER. Are they particularly provided with the knowledge to tell you what your own Laws, Plans, and Research Division should do?

Mr. TIFFANY. I think they are particularly well qualified for their work. I might add that Professor Sanders, for example, is editor of the Race Relations Law Reporter, which is published at the Vanderbilt University Law School.

Senator ELLENDER. What do you pay these consultants?

Mr. TIFFANY. They are authorized under the statutes to receive \$50 a day.

Senator ELLENDER. Plus what?

Mr. TIFFANY. Plus the regular \$12 per diem when they are away from their official duty stations.

Senator ELLENDER. Traveling, living, and everything?

Mr. TIFFANY. That is right, \$12 a day.

Senator ELLENDER. How many days did you employ Robert Rankin and Paul Sanders, can you tell us?

Mr. TIFFANY. I cannot give you the exact number of days, sir.

Senator ELLENDER. Can you put that in the record for us?

Mr. TIFFANY. We can furnish that.

Senator ELLENDER. Will you furnish for the record the names of all consultants which you employed, with their title, their special field, and how much you paid each?

Mr. TIFFANY. We will be most pleased to do so, sir.

(The information referred to follows:)

#### COMMISSION ON CIVIL RIGHTS

*Consultants and experts on duty at various times between Jan. 1, 1958, and Aug. 25, 1959*

|                           | Position   | Amount per day |
|---------------------------|--|----------------|
| Bane, Frank.....          | Consultant, Federal-State relations.....                     | \$50           |
| Brassor, Francis.....     | Consultant, organization and personnel classification.....   | 50             |
| Carr, Robert K.....       | Expert, political science.....                               | 50             |
| Dennison, David.....      | Consultant, legislative analysis.....                        | 50             |
| Goodman, William.....     | Consultant, political science.....                           | 50             |
| Kay, Hubert A.....        | Expert, editorial.....                                       | 50             |
| Koonce, David F.....      | Consultant, public information.....                          | 50             |
| Kuykendall, Rufus.....    | Consultant, attorney.....                                    | 50             |
| Oliver, Malcolm.....      | Consultant, public information.....                          | 50             |
| Johnson, George M.....    | Consultant, attorney.....                                    | 50             |
| McClarrin, William O..... | Expert, editorial.....                                       | 45             |
| Rankin, Robert S.....     | Consultant, political science.....                           | 50             |
| Rosenfeld, A. H.....      | Consultant, attorney.....                                    | 50             |
| Sanders, Paul N.....      | Consultant, law and political science.....                   | 50             |
| Shine, Henry.....         | Consultant, attorney-adviser, State advisory committees..... | 50             |
| Spicer, George W.....     | Consultant, political science.....                           | 50             |
| Swan, William.....        | Consultant, attorney-adviser, State advisory committees..... | 50             |
| Smith, J. Malcolm.....    | Consultant, political science.....                           | 50             |
| Weyer, Edward M.....      | Consultant, editorial.....                                   | 50             |
| Young, Thomas.....        | Consultant, public information.....                          | 50             |

† Terminated Aug. 25, 1959.

*Salaries and expenses of consultants, Commission on Civil Rights*

| Name (Commissioners)     | Dec. 29, 1957, to<br>June 30, 1958 |          | July 1, 1958, to<br>June 30, 1959 |            | July 1 to Aug. 25<br>1959 |          |
|--------------------------|------------------------------------|----------|-----------------------------------|------------|---------------------------|----------|
|                          | Days                               | Amount   | Days                              | Amount     | Days                      | Amount   |
| Battle:                  |                                    |          |                                   |            |                           |          |
| Salary.....              | 11                                 | \$575.00 | 20                                | \$1,025.00 | 7                         | \$350.00 |
| Transportation.....      |                                    | 90.00    |                                   | 234.00     |                           | 63.00    |
| Other.....               |                                    | 25.80    |                                   | 3.00       |                           | 100.00   |
| Per diem.....            |                                    | 40.00    |                                   | 275.95     |                           |          |
| Carlton:                 |                                    |          |                                   |            |                           |          |
| Salary.....              | 24                                 | 1,250.00 | 22                                | 1,150.00   | 7                         | 350.00   |
| Transportation.....      |                                    | 475.18   |                                   | 1,024.80   |                           | 252.30   |
| Other.....               |                                    | 41.80    |                                   | 70.31      |                           | 24.00    |
| Per diem.....            |                                    | 138.00   |                                   | 270.00     |                           | 123.00   |
| Hannah:                  |                                    |          |                                   |            |                           |          |
| Salary.....              | 16                                 | 875.00   | 28                                | 1,400.00   | 5                         | 250.00   |
| Transportation.....      |                                    | 544.85   |                                   | 1,830.85   |                           |          |
| Other.....               |                                    | 51.45    |                                   | 67.80      |                           |          |
| Per diem.....            |                                    | 108.00   |                                   | 402.00     |                           |          |
| Heshburgh:               |                                    |          |                                   |            |                           |          |
| Salary.....              | 13                                 | 750.00   | 18                                | 950.00     | 5                         | 250.00   |
| Transportation.....      |                                    | 208.58   |                                   | 355.70     |                           | 90.20    |
| Other.....               |                                    | 18.00    |                                   |            |                           |          |
| Per diem.....            |                                    | 111.00   |                                   | 117.00     |                           | 75.00    |
| Storey:                  |                                    |          |                                   |            |                           |          |
| Salary.....              | 18                                 | 925.00   | 38                                | 1,900.00   | 11                        | 550.00   |
| Transportation.....      |                                    | 1,104.10 |                                   | 1,844.60   |                           | 159.30   |
| Other.....               |                                    | 85.18    |                                   | 97.03      |                           | 8.75     |
| Per diem.....            |                                    | 207.00   |                                   | 555.00     |                           | 96.00    |
| Wilkins:                 |                                    |          |                                   |            |                           |          |
| Salary.....              | W.O.C.                             |          | 6                                 | 300.00     |                           |          |
| Transportation.....      |                                    |          |                                   | 487.65     |                           |          |
| Other.....               |                                    |          |                                   | 40.50      |                           |          |
| Per diem.....            |                                    |          |                                   | 116.00     |                           |          |
| Johnson:                 |                                    |          |                                   |            |                           |          |
| Salary.....              |                                    |          |                                   |            | 15                        | 750.00   |
| Transportation.....      |                                    |          |                                   |            |                           | 171.84   |
| Other.....               |                                    |          |                                   |            |                           |          |
| Per diem.....            |                                    |          |                                   |            |                           | 75.00    |
| Bane (consultant):       |                                    |          |                                   |            |                           |          |
| Salary.....              | 39                                 | 1,050.00 | 27                                | 1,100.00   |                           |          |
| Transportation.....      |                                    |          |                                   |            |                           |          |
| Other.....               |                                    |          |                                   |            |                           |          |
| Per diem.....            |                                    |          |                                   |            |                           |          |
| Brassor (c): Salary..... |                                    |          | 14                                | 650.00     | 9                         | 450.00   |
| Goodman (c):             |                                    |          |                                   |            |                           |          |
| Salary.....              |                                    |          | 100                               | 5,000.00   | 32                        | 1,600.00 |
| Transportation.....      |                                    |          |                                   | 79.10      |                           |          |
| Johnson (c):             |                                    |          |                                   |            |                           |          |
| Salary.....              | 35                                 | 1,750.00 |                                   |            |                           |          |
| Transportation.....      |                                    | 31.04    |                                   | 518.50     |                           |          |
| Other.....               |                                    | 4.60     |                                   | 31.20      |                           |          |
| Per diem.....            |                                    | 33.00    |                                   | 120.00     |                           |          |
| Kay (expert):            |                                    |          |                                   |            |                           |          |
| Salary.....              |                                    |          | 95                                | 4,750.00   | 43                        | 2,150.00 |
| Transportation.....      |                                    |          |                                   | 338.35     |                           | 26.51    |
| Other.....               |                                    |          |                                   | 101.38     |                           | 1.20     |
| Per diem.....            |                                    |          |                                   | 1,140.00   |                           | 231.00   |
| Koonce (c):              |                                    |          |                                   |            |                           |          |
| Salary.....              |                                    |          | 101                               | 8,050.00   | 39                        | 1,950.00 |
| Transportation.....      |                                    | 102.50   |                                   | 383.79     |                           | 147.40   |
| Other.....               |                                    | 90.99    |                                   | 124.24     |                           | 11.05    |
| Per diem.....            |                                    | 84.00    |                                   | 150.00     |                           | 45.00    |
| Rosenfeld (consultant):  |                                    |          |                                   |            |                           |          |
| Salary.....              | 53                                 | 2,650.00 | 102                               | 4,600.00   |                           |          |
| Transportation.....      |                                    |          |                                   | 428.09     |                           |          |
| Other.....               |                                    |          |                                   | 142.05     |                           |          |
| Per diem.....            |                                    |          |                                   | 161.00     |                           |          |
| Sanders (consultant):    |                                    |          |                                   |            |                           |          |
| Salary.....              | 9                                  | 450.00   | 5                                 | 700.00     |                           |          |
| Transportation.....      |                                    | 355.97   |                                   | 406.10     |                           |          |
| Other.....               |                                    | 99.27    |                                   | 43.05      |                           |          |
| Per diem.....            |                                    | 112.00   |                                   | 261.00     |                           |          |
| Shine (consultant):      |                                    |          |                                   |            |                           |          |
| Salary.....              | 58                                 | 2,900.00 | 45                                | 2,250.00   |                           |          |
| Transportation.....      |                                    | 753.50   |                                   | 369.40     |                           |          |
| Other.....               |                                    | 145.97   |                                   | 39.55      |                           |          |
| Per diem.....            |                                    | 252.00   |                                   | 252.00     |                           |          |
| Smith (consultant):      |                                    |          |                                   |            |                           |          |
| Salary.....              | 35                                 | 1,750.00 | 25                                | 1,250.00   |                           |          |
| Transportation.....      |                                    |          |                                   | 203.36     |                           |          |
| Other.....               |                                    |          |                                   | 40.51      |                           |          |
| Per diem.....            |                                    |          |                                   | 106.00     |                           |          |

*Salaries and expenses of consultants, Commission on Civil Rights—Continued*

| Name (Commissioners)     | Dec. 29, 1957, to<br>June 30, 1958 |            | July 1, 1958, to<br>June 30, 1959 |            | July 1 to Aug. 25<br>1959 |            |
|--------------------------|------------------------------------|------------|-----------------------------------|------------|---------------------------|------------|
|                          | Days                               | Amount     | Days                              | Amount     | Days                      | Amount     |
| Tiffany (consultant):    |                                    |            |                                   |            |                           |            |
| Salary.....              | 25                                 | \$1,250.00 |                                   |            |                           |            |
| Transportation.....      |                                    | 1,042.20   |                                   |            |                           |            |
| Other.....               |                                    |            |                                   |            |                           |            |
| Per diem.....            |                                    | 187.00     |                                   |            |                           |            |
| Swan (consultant):       |                                    |            | 140                               | \$7,100.00 | 20                        | \$1,000.00 |
| Salary.....              |                                    |            |                                   | 1,141.44   |                           |            |
| Transportation.....      |                                    |            |                                   | 358.48     |                           |            |
| Other.....               |                                    |            |                                   | 1,542.00   |                           |            |
| Per diem.....            |                                    |            |                                   |            |                           |            |
| Rankin (consultant):     |                                    |            | 30                                | 1,525.00   | 11                        | 550.00     |
| Salary.....              |                                    |            |                                   | 563.79     |                           | 48.99      |
| Transportation.....      |                                    |            |                                   | 317.64     |                           | 8.00       |
| Other.....               |                                    |            |                                   | 524.75     |                           | 51.00      |
| Per diem.....            |                                    |            |                                   |            |                           |            |
| Oliver (consultant):     | 9                                  | 160.00     | 66                                | 2,610.00   |                           |            |
| Salary.....              |                                    |            |                                   | 73.00      |                           |            |
| Transportation.....      |                                    |            |                                   | 7.95       |                           |            |
| Other.....               |                                    |            |                                   | 27.00      |                           |            |
| Per diem.....            |                                    |            |                                   |            |                           |            |
| Kuykendall (consultant): |                                    |            | 48                                | 2,400.00   | 21                        | 1,050.00   |
| Salary.....              |                                    |            |                                   | 240.71     |                           |            |
| Transportation.....      |                                    |            |                                   | 22.95      |                           |            |
| Other.....               |                                    |            |                                   | 360.00     |                           | 528.00     |
| Per diem.....            |                                    |            |                                   |            |                           |            |
| Spicer (consultant):     |                                    |            | 50                                | 2,250.00   | 30                        | 1,500.00   |
| Salary.....              |                                    |            |                                   | 162.66     |                           |            |
| Transportation.....      |                                    |            |                                   | 44.18      |                           |            |
| Other.....               |                                    |            |                                   | 1,140.00   |                           |            |
| Per diem.....            |                                    |            |                                   |            |                           |            |
| McClarrin (expert):      |                                    |            | 37                                | 1,665.00   | 58                        | 2,610.00   |
| Salary.....              |                                    |            |                                   |            |                           | 147.40     |
| Transportation.....      |                                    |            |                                   |            |                           | 11.35      |
| Other.....               |                                    |            |                                   |            |                           | 48.00      |
| Per diem.....            |                                    |            |                                   |            |                           |            |
| Weyer (expert):          |                                    |            | 39                                | 1,950.00   | 18                        | 900.00     |
| Salary.....              |                                    |            |                                   | 324.25     |                           | 174.20     |
| Transportation.....      |                                    |            |                                   | 50.30      |                           | 18.40      |
| Other.....               |                                    |            |                                   | 633.00     |                           | 363.00     |
| Per diem.....            |                                    |            |                                   |            |                           |            |
| Young (consultant):      | 2                                  | 100.00     | 135                               | 6,825.00   |                           |            |
| Salary.....              |                                    | 343.38     |                                   | 501.41     |                           |            |
| Transportation.....      |                                    | 44.47      |                                   | 87.94      |                           |            |
| Other.....               |                                    | 63.00      |                                   | 285.00     |                           |            |
| Per diem.....            |                                    |            |                                   |            |                           |            |
| Carr (expert):           |                                    |            | 5                                 | 250.00     |                           |            |
| Salary.....              |                                    |            |                                   |            |                           |            |
| Wyatt (consultant):      |                                    |            |                                   | 69.75      |                           |            |
| Transportation.....      |                                    |            |                                   | 8.10       |                           |            |
| Other.....               |                                    |            |                                   |            |                           |            |

## LAWS, PLANS, AND RESEARCH DIVISION EMPLOYEES

Senator ELLENDER. Now, these 30 employees in your Division of Laws, Plans, and Research, you say half of them are lawyers?

Mr. TIFFANY. Approximately.

Senator ELLENDER. And the other half are secretarial?

Mr. TIFFANY. Secretarial and consultants such as we have just been discussing, Senator.

Senator ELLENDER. Are they on a permanent basis?

Mr. TIFFANY. No, sir; those are on a part-time basis for the most part.

Senator ELLENDER. Are Mr. Rankin and Mr. Sanders included in the figure of one-half that you have just given us?

Mr. TIFFANY. Yes, sir; they are included, I believe, in that one-half.

Excuse me, may I correct that, Senator? There are 14 total lawyers in that division.

Senator ELLENDER. Out of the 30?

Mr. TIFFANY. Yes, sir.

#### WORK OF ATTORNEYS

Senator ELLENDER. What do those lawyers do?

Mr. TIFFANY. Those lawyers, sir, are assigned in this way: When the Commission was first created the members of the Commission, some of whom had served on the Hoover Commission, felt that it was advisable for them to have what is called legal assistants on the staff of the Commission who would be responsible to keep the Commissioners, who are only on a per diem basis, advised on a day-to-day basis of developments and progress in the work of the Commission.

Therefore, six of the lawyers to which we have referred fall in this category of "legal assistants to the Commissioners."

Senator ELLENDER. Do they do any research work or simply follow the work that is done by the Commission?

Mr. TIFFANY. They very definitely do research work. They function as a part of the staff in completing our work and our research, sir.

Senator ELLENDER. Do they prepare any reports that you make to the Congress or to the President pursuant to the law which created the Commission?

Mr. TIFFANY. They assist in writing those reports, sir.

Senator ELLENDER. Assist? Do they not actually write them?

Mr. TIFFANY. The actual writing is done by them with subsequent editing necessary for consistency.

Senator ELLENDER. Are the reports submitted to the Commission for its action?

Mr. TIFFANY. Yes, sir.

#### FUNCTIONS OF COMMISSIONERS

Senator ELLENDER. As a matter of fact, do the Commissioners not depend almost entirely on these lawyers to draft these reports and give your ideas of what ought to be done, and so forth?

Mr. TIFFANY. Sir, the determination as to what ought to be done, and the policy involved in that respect, is determined by the Commission itself at its meetings. The function of our staff is to carry out the wishes of the Commission.

The actual writing is done, yes, by the staff, not by the Commissioners, but everything that is written is submitted to the Commission for its approval before it is included within a report of the Commission.

Senator ELLENDER. Usually the Commission adopts what the lawyers write, do they not?

Mr. TIFFANY. No; not without a good deal of discussion.

I want to make that clear, that this Commission is not the type of Commission that simply accepts without—

Senator ELLENDER. Is there much dissension among the Commissioners as to the reports prepared and submitted by these lawyers?

Mr. TIFFANY. There are differences; yes, sir. I would not say much dissension, but there are certainly differences and they read with a critical eye as to the substance.

## STAFF ATTORNEYS

Senator ELLENDER. You have accounted for 30 employees, 16 of whom you consider secretarial workers, and then these consultants and 14 lawyers.

Now, would you account for the remainder of your staff?

Mr. TIFFANY. We have certain staff attorneys, sir.

Senator ELLENDER. You have attorneys aside from these 14 to which you have just referred?

Mr. TIFFANY. In addition to the 6 legal assistants but within the 14 total lawyers in that Division, there is a balance of 8 attorneys.

Of course, the Chief of the Division is an attorney.

Senator ELLENDER. Is that aside from the Law, Plans, and Research Division?

Mr. TIFFANY. No, sir; this is all within that Division.

Senator ELLENDER. Let us separate them. You told me a while ago, in fact, the record, I think, indicates that in the Laws, Plans, and Research Division you have 30 people, 14 of whom are lawyers and 16 are secretarial help. Then you have these consultants that you have just mentioned. You cited two of them, but there may be more.

That is correct, is it not?

Mr. TIFFANY. Right.

Senator ELLENDER. How many lawyers have you aside from these 14 that you have just mentioned and in what capacity do they act?

Mr. TIFFANY. Unless my arithmetic is in error, I would say there are eight.

Senator ELLENDER. Do you not have the specific figures? You are here to justify the amount you are requesting. Do you not have that information with you?

Mr. TIFFANY. I think with a moment's reflection I can recall the name of each one, sir.

Senator ELLENDER. I do not want the names.

Mr. TIFFANY. That would be the way I have to think of it to get the right total.

Senator CHAVEZ. Mr. Chairman, why can you not file for the record a breakdown of those 67 that you have in the Commission so we will know what they are doing?

Mr. TIFFANY. I will be pleased to do that if that is agreeable.

(The information referred to follows:)



COMMISSION ON CIVIL RIGHTS  
Employees, Dec. 29, 1957-June 30, 1958

|   | Position   | Grade | Salary |
|---|--|-------|--------|
| <b>OFFICE OF THE STAFF DIRECTOR</b>         |  |       |        |
| Tiffany, Gordon M.                          | Consultant, Dec. 29, 1957, to June 9, 1958.        |       | 1 \$60 |
| Wymard, Sallie.                             | Staff director, effective June 10, 1958.           |       | 22,500 |
| Bullock, Vivian S.                          | Administrative assistant to the staff director.    | GS-9  | 6,440  |
| Total, 3; 1 attorney.                       | Secretary to the staff director.                   | GS-7  | 4,525  |
| <b>SECRETARIAT</b>                          |  |       |        |
| Arth, Carol R.                              | Executive Secretary.                               | GS-15 | 11,610 |
| Fales, Evelyn P.                            | Administrative assistant to Executive Secretary.   | GS-7  | 4,525  |
| Patterson, Eleanor B.                       | Secretary to the Executive Secretary.              | GS-5  | 4,080  |
| Rush, Madelyn V.                            | Secretary to consultants.                          | GS-6  | 4,080  |
| Sparkes, Marion N.                          | Chief, Office Services Section.                    | GS-7  | 4,525  |
| O'Donnell, Garland.                         | Clerk-typist.                                      | GS-4  | 3,415  |
| Schellhase, Anne.                           | Clerk-typist (GSA).                                | GS-4  | 3,415  |
| Hedrick, Martha.                            | Clerk-typist.                                      | GS-3  | 3,175  |
| Feathersen, Edgar A.                        | Messenger/chauffeur.                               | WB-4  | 3,175  |
| Vacancy.                                    | Messenger.   | GS-2  | 2,900  |
| Do.   | Clerk-typist.                                      | GS-4  | 3,415  |
| Do.   | do.  | GS-3  | 3,175  |
| Total, 9 on duty; 3 vacancies.              |  |       |        |
| <b>LEGAL DIVISION</b>                       |  |       |        |
| Wofford, Harris L.                          | Attorney-legal assistant to Commissioner Hesburgh. | GS-14 | 10,320 |
| Clark, Charles Ed.                          | Attorney-legal assistant to Commissioner Storey.   | GS-14 | 10,320 |
| Rogerson, Howard W.                         | Attorney-legal assistant to Commissioner Battle.   | GS-14 | 10,320 |
| Cole, Elisabeth.                            | General attorney (administrative).                 | GS-14 | 10,320 |
| Jackson, Eugene R.                          | Attorney-legal assistant to Commissioner Wilkins.  | GS-12 | 7,570  |
| Vacancy.                                    | Attorney-adviser (general).                        | GS-14 | 10,320 |
| Stevenson, Burton.                          | Attorney-legal assistant to Commissioner Carlton.  | GS-14 | 10,320 |
| Maday, Leona H.                             | Secretary (stenographer).                          | GS-5  | 3,670  |
| Sieber, Grace M.                            | do.  | GS-6  | 4,080  |
| Total, 8 on duty; 1 vacancy; 6 attorneys.   |  |       |        |
| <b>SURVEY DIVISION</b>                      |  |       |        |
| Rosenfeld, Col. A. H.                       | Consultant, full-time (Apr. 17 to Nov. 30, 1958).  |       | 1 \$60 |
| Santon, Lysbeth A.                          | Secretary to Chief of the Division.                | GS-6  | 4,080  |
| Bennell, Ward E.                            | Supervisory investigator (general).                | GS-12 | 7,570  |
| Goodyear, Burton J.                         | do.  | GS-12 | 7,570  |
| Peterson, Oscar J.                          | Investigator (general).                            | GS-11 | 6,390  |
| Müller, Raymond H.                          | do.  | GS-11 | 6,390  |
| Simpson, Norman E.                          | do.  | GS-11 | 6,390  |
| Fourcade, Helen.                            | Attorney-adviser (general).                        | GS-9  | 5,985  |
| Vacancies.                                  | 4 investigators (general).                         | GS-11 | 6,390  |
| Vacancy.                                    | Clerk-typist.                                      | GS-4  | 3,415  |
| Total, 7 on duty; 5 vacancies; 4 attorneys. |  |       |        |
| <b>REPORTS AND ANALYSIS</b>                 |  |       |        |
| Chief, Division (no incumbent).             |  | GS-16 | 12,900 |
| Fitzsimmons, Mary.                          | Secretary to Chief of the Division.                | GS-5  | 4,080  |
| Total, 1 on duty; 1 vacancy.                |  |       |        |
| <b>RESEARCH AND PLANNING</b>                |  |       |        |
| Johnson, George M.                          | Consultant, full-time.                             |       | 1 \$60 |
| Graves, Johnnie L.                          | Secretary to the Chief of the Division.            | GS-6  | 4,080  |
| Vacancy.                                    | Research assistant.                                | GS-9  | 5,985  |
| Total, 2 on duty; 1 vacancy.                |  |       |        |

1 Per day.

Employees, July 1, 1958-June 30, 1959

|   | Position  | Grade | Salary   |
|---|---|-------|----------|
| <b>OFFICE OF THE STAFF DIRECTOR</b>                             |   |       |          |
| Tiffany, Gordon M.  | Staff director.   |       | \$22,600 |
| Shine, Henry M., Jr.  | Consultant, full time, Apr. 11, 1958.                                   |       | 150.00   |
|   | Supervisory general attorney, State advisory committees, Aug. 24, 1958. | GS-15 | 12,070   |
|   | Assistant staff director, May 17, 1959.                                 | GS-16 | 14,100   |
| Wymard, Balle.  | Administrative assistant to the staff director.                         | GS-9  | 5,985    |
| Taylor, Eleanor V.  | Secretary (stenography) secretary to the staff director.                | GS-9  | 5,985    |
| Bullock, Vivian.  | Secretary to the staff director (terminated May 17, 1959).              | GS-7  | 5,430    |
| Aliquo, Cam A.  | Secretary to the assistant staff director.                              | GS-7  | 5,430    |
| Maestri, Gloria A.  | Secretary to consultants.   | GS-6  | 4,490    |
| Sutherland, Barbara.  | Clerk-dictating machine transcriber.                                    | GS-5  | 4,040    |
| Proctor, Natalie B.   | do.   | GS-5  | 4,240    |
| Hall, Helen J.  | Clerk-typist, summer trainee, (June 15-Sept. 2, 1959).                  | GS-3  | 3,495    |
| Oleson, Ann K.  | Clerk-typist, summer trainee (June 15-Aug. 28, 1959).                   | GS-3  | 3,495    |
| Total, 11 on duty; 1 GS-9 terminated June 3, 1959; 2 attorneys. |   |       |          |
| <b>OFFICE OF THE SECRETARIAT AND LIAISON OFFICER</b>            |   |       |          |
| Arth, Carol R.  | Executive Secretary.  | GS-16 | 14,100   |
| Harris, George B., Jr.  | Deputy special assistant State advisory committees.                     | GS-11 | 7,030    |
| Fales, Evelyn P.  | Administrative assistant to the Executive Secretary.                    | GS-7  | 5,290    |
| Sparkes, Marlon.  | Chief, Office Services Section.   | GS-7  | 5,290    |
| Stultz, Carey.  | Space and property manager.   | GS-7  | 4,980    |
| Sieber, Grace B.  | Administrative assistant (stenography) SAC Travel.                      | GS-7  | 4,980    |
| Patterson, Eleanor B.   | Secretary to the Executive Secretary.                                   | GS-6  | 5,390    |
| Murphy, Elisabeth I. F.   | Secretary.  | GS-6  | 5,390    |
| Womack, Gwendolyns.   | Assistant to the Chief, OSS.  | GS-6  | 4,190    |
| Birkle, John G.   | File clerk, OSS.  | GS-4  | 3,755    |
| Scheilhase, Anne I.   | Clerk-typist (GSA) (terminated Apr. 30, 1959).                          | GS-4  | 4,325    |
| Webber, Mabel E.  | General supply clerk.   | GS-4  | 3,755    |
| Feathersen, Edgar A.  | Chauffeur/messenger.  | WB-4  | 4,180    |
| Gruber, Robert.   | Typist.   | GS-3  | 3,495    |
| Vance, Hilliard.  | Messenger.  | GS-1  | 3,530    |
| White, Thomas N.  | do.   | GS-2  | 3,255    |
| Total, 15; 1 attorney.  |   |       |          |
| <b>OFFICE OF COMPLAINTS, INFORMATION, AND SURVEY</b>            |   |       |          |
| Rosenfeld, Col. A. H.   | Director (attorney).  | GS-16 | 14,150   |
| Amidon, Robert H.   | Supervisory attorney.   | GS-13 | 9,890    |
| Bonnell, Ward B.  | Field representative (attorney).  | GS-12 | 7,755    |
| Goodyear, Burton.   | Field representative.   | GS-11 | 8,645    |
| Simpson, Norman.  | do.   | GS-11 | 8,470    |
| Miller, Raymond.  | Field representative (attorney).  | GS-11 | 7,030    |
| Peterson, Oscar J.  | Field representative (deceased Jan. 18, 1959).                          | GS-11 | 8,230    |
| Downs, William H.   | Field representative (attorney).  | GS-11 | 8,230    |
| Morse, H. Fourcade.   | Attorney (terminated May 15, 1959).                                     | GS-9  | 5,985    |
| Morella, Anthony.   | Attorney-advisor (general).   | GS-9  | 5,985    |
| Santon, Lysbeth.  | Secretary to the Director.  | GS-7  | 5,730    |
| Hunter, Lolita A.   | Clerk dictaphone operator.  | GS-4  | 4,230    |
| Owens, Paul L.  | Supervisory clerk.  | GS-4  | 4,230    |
| Hart, Thornton L.   | Clerk.  | GS-3  | 4,065    |
| Hayes, Louise P.  | do.   | GS-3  | 3,495    |
| Total, 14; 6 attorneys.   |   |       |          |

1 Per day.

2 State advisory committee.

## Employees, July 1, 1958-June 30, 1959--Continued

|  | Position   | Grade | Salary   |
|--|--|-------|----------|
| <b>OFFICE OF LAWS, PLANS,<br/>AND RESEARCH</b> |  |       |          |
| Johnson, George M.                             | Director (terminated June 9, 1959)                                 | GS-10 | \$14,190 |
| Clark, Charles Ed.                             | Legal assistant to Commissioner Storey                             | GS-14 | 11,355   |
| Jackson, Eugene                                | Legal assistant to Commissioner Wilkins                            | GS-14 | 11,355   |
| Rogerson, Howard                               | Legal assistant to Commissioner Battle                             | GS-14 | 11,355   |
| Stevens, Burton                                | Legal assistant to Commissioner Carlton (terminated June 13, 1959) | GS-14 | 11,355   |
| Wofford, Harris L.                             | Legal assistant to Commissioner Heshburgh                          | GS-14 | 11,355   |
| Cole, Elizabeth R.                             | Staff general attorney   | GS-14 | 11,355   |
| Bernhard, Berl I.                              | do   | GS-14 | 11,355   |
| Godlewski, John T. R.                          | do   | GS-14 | 11,355   |
| Nelson, Robert                                 | Research analyst   | GS-9  | 5,985    |
| Graves, Johnnie L.                             | Secretary to the Director  | GS-7  | 4,980    |
| Mottles, Anthony W.                            | Attorney-adviser (general)   | GS-7  | 4,980    |
| Sloane, Glenda G.                              | do   | GS-7  | 4,980    |
| Howard, Catherine L.                           | Secretary, housing team  | GS-4  | 4,490    |
| Fitzsimmons, Mary                              | Secretary, voting team   | GS-6  | 5,540    |
| Rush, Madelyn V.                               | Secretary, education team  | GS-6  | 5,540    |
| Maday, Leona                                   | Secretary (stenographer) (terminated Nov. 30, 1958)                | GS-5  | 4,040    |
| Vaughan, Freida M.                             | Secretary (stenography)  | GS-5  | 4,040    |
| Burns, Clara N.                                | do   | GS-5  | 4,790    |
| O'Donnell, Garland                             | Research analyst   | GS-6  | 4,040    |
| Curro, Antoinette                              | Clerk dictating machine transcriber                                | GS-4  | 3,755    |
| Dorden, Patricia                               | Clerk-typist   | GS-3  | 3,495    |
| Deal, John W., Jr.                             | Clerk-typist (terminated May 16, 1959)                             | GS-3  | 3,495    |
| Allen, Fred D.                                 | Typist   | GS-3  | 3,495    |
| Briscoe, Alice B.                              | do   | GS-3  | 3,495    |
| Thomas, Gloria Y.                              | do   | GS-3  | 3,495    |
| Hedrick, Martha                                | Typist (terminated Aug. 28, 1958)                                  | GS-3  | 3,175    |
| Total, 27; 11 attorneys.                       |  |       |          |

## Employees, July 1, 1959-Aug. 25, 1959

|  | Position   | Grade | Salary   |
|--|--|-------|----------|
| <b>OFFICE OF THE STAFF DIRECTOR</b>                      |  |       |          |
| Tiffany, Gordon M.                                       | Staff director   |       | \$22,500 |
| Shine, Henry M., Jr.                                     | Assistant staff director                                     | GS-16 | 14,190   |
| Nelson, Robert L.  | Legislative assistant  | GS-11 | 7,030    |
| Wymard, Sallie   | Administrative assistant to the staff director               | GS-9  | 5,985    |
| Taylor, Eleanor V.                                       | Secretary (stenography) secretary to the staff director      | GS-9  | 5,985    |
| Aliquo, Cam A.   | Secretary to the assistant staff director                    | GS-7  | 5,430    |
| Maestri, Gloria A.                                       | Secretary to consultants                                     | GS-6  | 4,490    |
| Sutherland, Barbara                                      | Clerk-dictating machine transcriber (1 w.o.p. July 11, 1959) | GS-5  | 4,040    |
| Proctor, Natalie B.                                      | Clerk-dictating machine transcriber                          | GS-5  | 4,340    |
| Hall, Helen J.   | Clerk-typist, summer trainee (terminated Sept. 2, 1959)      | GS-3  | 3,495    |
| Oleson, Ann K.   | Clerk-typist, summer trainee (terminated Aug. 28, 1959)      | GS-3  | 3,495    |
| Total 10, 1 vacancy; 2 attorneys.                        |  |       |          |
| <b>OFFICE OF THE SECRETARIAT<br/>AND LIAISON OFFICER</b> |  |       |          |
| Arth, Carol R.   | Executive Secretary  | GS-16 | 14,190   |
| Harris, George B., Jr.                                   | Deputy special assistant, SAC                                | GS-11 | 7,030    |
| Fales, Evelyn P.   | Administrative assistant to the Executive Secretary          | GS-7  | 5,280    |
| Sparkes, Marion  | Chief, Office Services Section                               | GS-7  | 5,280    |
| Stultz, Carey  | Space and property manager                                   | GS-7  | 4,980    |
| Sieher, Grace B.   | Administrative assistant (stenography) SAC travel            | GS-7  | 4,980    |
| Murphy, Elizabeth I. F.                                  | Secretary  | GS-6  | 5,390    |
| Patterson, Eleanor B.                                    | Secretary to the Executive Secretary                         | GS-6  | 5,390    |
| Womack, Gwendolyn  | Assistant to the Chief, OSS                                  | GS-5  | 4,340    |
| Birkle, John G.  | File clerk, OSS  | GS-4  | 3,755    |
| Webber, Mabel E.   | General supply clerk   | GS-4  | 3,755    |
| Featherston, Edgar A.                                    | Chauffeur/messenger  | WB-4  | 4,150    |
| Gruber, Robert   | Typist   | GS-3  | 3,495    |
| White, Thomas N.   | Messenger  | GS-2  | 3,255    |
| Vance, Hilliard  | do   | GS-1  | 3,530    |
| Total 15, 1 attorney.                                    |  |       |          |

Employees, July 1, 1959-Aug. 25, 1959—Continued

|  | Position  | Grade | Salary   |
|--|---|-------|----------|
| <b>OFFICE OF LAWS, PLANS, AND RESEARCH</b>           |   |       |          |
| Kuykendall, Rufus.....                               | Director (attorney).....  | GS-16 | \$14,190 |
| Clark, Charles Ed.....                               | Legal assistant to Commissioner Storey.....                                 | GS-14 | 11,355   |
| Jackson, Eugene.....                                 | Legal assistant to Commissioner Johnson.....                                | GS-14 | 11,355   |
| Rogerson, Howard.....                                | Legal assistant to Commissioner Battle.....                                 | GS-14 | 11,355   |
| Worford, Harris L., Jr.....                          | Legal assistant to Commissioner Hesburgh (terminated Sept. 10, 1959).....   | GS-14 | 11,355   |
| Cole, Elizabeth R.....                               | Staff general attorney.....   | GS-14 | 11,355   |
| Bernhard, Berl I.....                                | do.....   | GS-14 | 11,355   |
| Gedlewski, John T. R.....                            | do.....   | GS-14 | 11,355   |
| Del Russo, A. Luini.....                             | Attorney-adviser (general).....   | GS-13 | 9,980    |
| Bollinger, John.....                                 | do.....   | GS-13 | 9,980    |
| Sklings, Felix E.....                                | do.....   | GS-13 | 9,980    |
| Graves, Johnnie L.....                               | Secretary to the Director (terminated Aug. 18, 1959).....                   | GS-7  | 4,980    |
| Mottolose, Anthony W.....                            | Attorney-adviser (general).....   | GS-7  | 4,980    |
| Sloane, Glenda G.....                                | do.....   | GS-7  | 4,980    |
| Fitzsimmons, Mary.....                               | Secretary, voting team.....   | GS-6  | 5,540    |
| Rush, Madelyn V.....                                 | Secretary, education team.....  | GS-6  | 5,390    |
| Tinsley, Naomi.....                                  | Secretary, housing team.....  | GS-6  | 4,640    |
| Margolin, Mollie.....                                | Indexer, Library of Congress (reimbursable) (Aug. 10 to Aug. 31, 1959)..... | GS-13 | 8,570    |
| McDonald, Joan.....                                  | Indexer, National Archives (reimbursable) (Aug. 13 to Aug. 31, 1959).....   | GS-7  | 4,980    |
| Vaughan, Freida M.....                               | Secretary (stenographer).....   | GS-5  | 4,040    |
| O'Donnell, Garland.....                              | Research analyst.....   | GS-5  | 4,040    |
| Curro, Antoinette.....                               | Clerk-dictating machine transcriber.....                                    | GS-4  | 3,755    |
| Dorden, Patricia.....                                | Clerk-typist.....   | GS-3  | 3,495    |
| Allen, Fred.....                                     | do.....   | GS-3  | 3,495    |
| Thomas, Gloria.....                                  | do.....   | GS-3  | 3,495    |
| Total 25, 18 attorneys.....                          |   |       |          |
| <b>OFFICE OF COMPLAINTS, INFORMATION, AND SURVEY</b> |   |       |          |
| Rosenfeld, A. H.....                                 | Director (attorney).....  | GS-16 | 14,150   |
| Amidon, Robert H.....                                | Supervisory attorney.....   | GS-13 | 9,890    |
| Bonnell, Ward B.....                                 | Field representative (attorney).....  | GS-12 | 7,785    |
| Goodyear, Burton.....                                | Field representative.....   | GS-11 | 8,645    |
| Simpson, Norman.....                                 | do.....   | GS-11 | 8,470    |
| Miller, Raymond.....                                 | Field representative (attorney).....  | GS-11 | 7,030    |
| Downs, William H.....                                | do.....   | GS-11 | 8,230    |
| Morella, Anthony.....                                | Attorney-adviser (general).....   | GS-9  | 6,985    |
| Santon, Lysbeth.....                                 | Secretary to the Director.....  | GS-7  | 5,730    |
| Burns, Clara N.....                                  | Secretary (stenographer).....   | GS-5  | 4,790    |
| Hunter, Lolita A.....                                | Clerk-dictaphone machine transcriber.....                                   | GS-4  | 4,230    |
| Owens, Paul L.....                                   | Supervisory clerk.....  | GS-4  | 4,230    |
| Wilder, Mary E.....                                  | Clerk dictating machine transcriber.....                                    | GS-4  | 3,850    |
| Briscoe, Alice B.....                                | Typist.....   | GS-3  | 3,495    |
| Hart, Thornton L.....                                | Clerk.....  | GS-3  | 4,065    |
| Hayes, Louise P.....                                 | do.....   | GS-3  | 3,495    |
| Total, 16; 6 attorneys.....                          |   |       |          |

## OTHER DIVISIONS OF COMMISSION'S WORK

Senator ELLENDER. That is all right with me. I would like to find out what they do. You have told us what these people do here. I presume they go to hearings that are had by the Commission and they write reports and things like that.

You have accounted for 30 of the employees. Now you have 37 more. How are they employed? Do you have any other divisions?

Mr. TIFFANY. Yes, we do, sir; we have four divisions in all. The first we have just discussed.

Senator ELLENDER. No. 1 is laws, plans, and research?

Mr. TIFFANY. That is correct.

Senator ELLENDER. What is No. 2?

## SECRETARIAT AND LIAISON

Mr. TIFFANY. I would call this division of the secretariat and liaison which we have just discussed, with Mrs. Arth, as a second division. That maintains the records, minutes, and personnel files of the Commission in addition to making arrangements for hearings and meetings of the Commission.

Senator ELLENDER. Mrs. Arth, you have how many under you?

Mrs. ARTH. Sixteen.

Senator ELLENDER. So there are 16 in the division of the secretariat. What is No. 3?

Mr. TIFFANY. Division of complaints, information, and survey.

## COMPLAINTS, INFORMATION, AND SURVEY

Senator ELLENDER. Division of complaints, information, and survey. How many people have you in that division?

Mr. TIFFANY. Approximately 15.

Senator ELLENDER. Approximately 15?

In what capacity do they act? Are they lawyers or are they specially trained people?

Mr. TIFFANY. Some of them have legal training; yes, sir, and some are lawyers admitted to the bar.

Senator ELLENDER. How many lawyers in that division?

Mr. TIFFANY. I think there are three in that division, sir. There are at least three, sir.

Senator ELLENDER. At least three lawyers?

Mr. TIFFANY. That is right.

Senator ELLENDER. And the remainder of the 12?

Mr. TIFFANY. The remainder of them would be investigators, writers.

Senator ELLENDER. What do you mean by writers?

Mr. TIFFANY. This division functions in this way: First of all, it keeps the docket of the Commission. That is, when we receive complaints they go first to this division and they have a preliminary analysis in that division to determine their sufficiency within the meaning of our statute, which requires that such complaints must be in writing and allege the facts on which they believe that certain citizens being denied their right to vote or to have their vote counted because of race, creed, color, or national origin.

The division also sees to it that the public is properly informed of the activities of the Commission and in this respect the writers—

## ACTIVITY OF WRITERS

Senator ELLENDER. What do the writers do?

Mr. TIFFANY. They help us in the preparation of our report and in seeing to it that whenever it is necessary to announce a new hearing of the Commission that that information is properly released to the proper sources or proper media.

Senator ELLENDER. When you say report, what do you mean, reports to the Commission?

Mr. TIFFANY. Yes, sir; in connection with the editing.

Senator ELLENDER. I thought the laws, plans, and research division handled the reports?

Mr. TIFFANY. They do the actual writing, but in addition to the writing, as in any publication, it is necessary for us to have editorial work done.

Senator ELLENDER. How many employees do you have with the title of writer?

Mr. TIFFANY. I would say that we have one who is chief of that division or section, Mr. Hubert Kay. Mr. Kay was formerly with Time, Life, and Fortune publications.

Senator ELLENDER. Did you borrow him?

Mr. TIFFANY. No, sir. He left Time, Life, and Fortune some time ago. He was free lancing when we were able to secure his services.

Senator ELLENDER. What do you pay him?

Mr. TIFFANY. He is paid as a consultant by the way.

Senator ELLENDER. Could you give us the amount that each employee receives?

Mr. TIFFANY. Yes, sir.

Senator ELLENDER. And what each does?

Mr. TIFFANY. Yes, sir; we can do that very easily.

He has an assistant who was formerly editor of a magazine called—well, it was a publication of the natural history museum in New York, sir, that assists him in handling the mechanics of the printing, and seeing to it that the proof is properly read and all of those details. A very fine person named Edward Weyer.

Senator ELLENDER. You mean as his assistant?

Mr. TIFFANY. His assistant.

Senator ELLENDER. So you have—

Mr. TIFFANY. Those two men who are working day to day now on this report, and they are part-time consultants.

Senator ELLENDER. Then they edit the report that the laws, plans, and research division compile?

Mr. TIFFANY. Yes, they do.

Senator ELLENDER. Why do they do that?

Mr. TIFFANY. Let us look at it this way: Within the laws, plans, and research division we have certain sections which have been set up with respect to the three fields of study, in voting, education, and housing, which was selected by this Commission to do the work.

It is entirely possible with these three teams working that there may be repetition, that there might be overlapping in their work. In order to make a complete and comprehensive report and without wasting pages and space, it is necessary that that work should be edited. That is the function of the persons to whom I have just referred.

Senator ELLENDER. Have you made any reports as yet?

Mr. TIFFANY. We have not made any reports as such, sir. We have preserved and published the transcripts of certain hearings which have been held by the Commission.

I would refer specifically to the voting hearing in Alabama in December 1958, and January 1959.

Senator ELLENDER. Who prepared those reports, the Laws, Plans, and Research Department or the Division of Complaints and Survey?

Mr. TIFFANY. This was a transcript, sir, of the hearings.

Senator ELLENDER. No writing?

Mr. TIFFANY. This was simply a verbatim transcript of what the testimony was.

Senator ELLENDER. So you have not as yet written a report?

Mr. TIFFANY. We have been working very hard on that report since about April, Senator. We expect 2 weeks from today it will be distributed in accordance with our statute.

#### OFFICE OF COMMISSIONERS AND STAFF DIRECTOR

Senator ELLENDER. What is your fourth division?

Mr. TIFFANY. The fourth division, sir, is the Office of the Commissioners and the staff director. That is my own office.

If you include the Commissioners, there are six Commissioners.

Senator ELLENDER. They are not included in the total of 67?

Mr. TIFFANY. No, sir. There is the staff director—

Senator ELLENDER. I would like you to account for the 67 employees that you have.

Mr. TIFFANY. Yes, sir.

Senator ELLENDER. You have accounted for 30 in the Laws, Plans, and Research Division; 16 in the Division of the Secretariat; and 15 in the Division of Complaints and Survey.

Mr. TIFFANY. There are seven in my office, sir.

Senator ELLENDER. The rest are in your office?

Mr. TIFFANY. That is right.

Senator ELLENDER. Have you any lawyers in your office?

Mr. TIFFANY. Mr. Henry Shine, who was with the Hoover Commission, admitted to practice in the State of Texas, and he is an attorney; yes, sir.

Senator ELLENDER. Is he the only lawyer that you have in your Division?

Mr. TIFFANY. Mr. George Harris, who is working with Mr. Shine, is an attorney, sir.

Senator ELLENDER. What do they do in your office? Do they give you any kind of advice that would be different from what the lawyers in the Laws, Plans, and Research Division would give you?

#### STATE ADVISORY COMMISSIONS

Mr. TIFFANY. Yes, sir. I would say this: We have under our law authority to establish State advisory committees to help us in our work. This, you might say, is a process of collecting the grassroots opinion. These advisory committees have been selected and set up in 48 of the 50 States, Senator. There are approximately 400, more or less, highly reputable citizens, distinguished citizens, I might say, that are serving on these advisory committees.

Senator ELLENDER. Do they serve without pay?

Mr. TIFFANY. They serve without pay; yes, sir. They are doing a splendid job. We are very much indebted to them, Senator.

Now, they go into various problems which are assigned through the laws, plans, and research in the field of our study, in voting, education, and housing. They consider the legal developments as well as the factual developments in their own fields.

Mr. Henry Shine, for example, is the coordinator of this work with the State advisory committees and he sees to it that the research and the work is performed in a coordinated way so that it will filter up to the top and get into our report.

## COMPLAINTS RECEIVED

Senator ELLENDER. Can you tell us the number of complaints that you have received since you have been organized?

Mr. TIFFANY. I can give you some figures on that; yes, sir.

Through the last fiscal year—

Senator ELLENDER. That is for the whole period, or just 1 year?

Mr. TIFFANY. That is for the fiscal year, for the 1 year.

Senator ELLENDER. Is that from July 1st of 1957 to June 30, 1958?

Mr. TIFFANY. Yes, sir.

Senator ELLENDER. The first full year of operation?

Mr. TIFFANY. The first full year we had 979 complaints of which voting complaints constituted 315.

Senator ELLENDER. 315 voting complaints?

Mr. TIFFANY. That is right. We have others in proper form, regular complaints, you might say, in other fields.

Senator ELLENDER. How would you classify those? What is the nature of those complaints?

Mr. TIFFANY. Those go into other phases of the area of equal protection of the law, sir.

Senator ELLENDER. The remainder of them?

Mr. TIFFANY. It covers a pretty broad sweep; yes, sir.

Senator ELLENDER. That would be some 600.

Mr. TIFFANY. 664, Senator.

Senator ELLENDER. Complaints other than voting complaints?

Mr. TIFFANY. That is right.

Senator CHAVEZ. Does that include unfair employment practices?

Mr. TIFFANY. We have those, sir, but in the limited time at the disposal of the Commission we determined at an early date it would be proper for us to select three significant fields and concentrate our efforts in those rather than to spread ourselves thinly over a wider range of studies.

Senator CHAVEZ. What would be those three that you have in mind?

Mr. TIFFANY. Those three, sir; voting, of course, takes precedence because under the act of Congress itself particular attention is taken in regard to voting.

Secondly, we have education, and, third, we have housing.

Senator ELLENDER. What do you do in the field of education?

Mr. TIFFANY. In education we have considered the equal protection of the laws in the field of public education.

Senator ELLENDER. And third?

Mr. TIFFANY. And third, we have gone into the field of housing from the same point of view. It is in the housing field that we have had our hearings in the North.

Senator ELLENDER. Will you tell us, of the 978 complaints you have received, are you a little surprised that there are so few?

Mr. TIFFANY. No; I am not. I think there are a couple of good reasons for this, Senator, if you call them few.

Senator ELLENDER. I wish you would state them because what gave rise to the creation of this Commission was the statement that there were many complaints as to deprivation of civil rights throughout the country.

Personally, I am surprised that you got only 978 complaints and you say that only 315 of those dealt with voting?



Mr. TIFFANY. Yes, sir.

Senator ELLENDER. I am surprised that there are so few with a population of 176 million people. Are you not surprised? Tell us, frankly?

Mr. TIFFANY. I think there are some good reasons why there are not more than that, sir.

Senator ELLENDER. Do you think the Commission is justified in going on with so few complaints? Can you justify yourselves in other words?

Mr. TIFFANY. I think it is thoroughly justified regardless of the number of complaints if the right to vote is being denied for no other reason than color, sir. I must say that.

#### SOURCES OF COMPLAINTS

Senator ELLENDER. Will you tell us where the 315 voting complaints that you have received come from, principally? Can you break them down as to what States they come from?

Mr. TIFFANY. I would want to say in preface to these comments, Senator, that because of the technical requirement to qualify as a complaint under the statute, no actually qualified complaints were received in our office until August of last year.

So that when we talk about the total of these complaints that are qualified, we are speaking of a period which comes from the end of August 1958 to the end of June 1959.

Senator ELLENDER. It is almost a year?

Mr. TIFFANY. Yes, sir.

In Alabama, we had 104 sworn complaints and 15 unsworn complaints.

I can read all of these, or we can submit them for the record.

Senator ELLENDER. I would like to get the States you got them from.

Mr. TIFFANY. We have them for all the States.

Arkansas had a total of 6; Florida, 15; Georgia, 1; Illinois, 2; Indiana, 2; Kansas, 1.

Senator BYRD. Mr. Chairman, I wonder if he could characterize these as he goes along, voting, housing.

Mr. TIFFANY. These are all voting.

Senator BYRD. Two in Illinois on voting?

Mr. TIFFANY. Yes, sir.

That brought us up to Kansas.

In Kentucky we had 2; Louisiana, 95; Maryland, 1; Massachusetts, 1; Mississippi, 41; Missouri, 2; Nebraska, 1; New Jersey, 1; New York, 1; North Carolina, 3; Oklahoma, 2; Pennsylvania, 2; South Carolina, 3; Tennessee, 7; Texas, 1; Virginia, 3; West Virginia, 1; Wisconsin, 2.

Senator ELLENDER. That accounts for 315.

Mr. TIFFANY. That is right.

Senator ELLENDER. You are not surprised at that low number?

Mr. TIFFANY. No, sir; there are a number of reasons. We explained, first of all, that there are certain technical requirements which must be met in order to qualify as a complaint, the same as a complaint which is filed in court must state a cause of action so that

a complaint to qualify as a complaint before this Commission must properly comply with the requirements of this statute.

Senator ELLENDER. There is nothing wrong with that.

Mr. TIFFANY. Absolutely nothing at all.

Senator ELLENDER. You agree that the methods you have evolved to get these complaints in proper shape are correct?

Mr. TIFFANY. Absolutely.

In other words, this represents the distillation that survives the demurrer, you might say.

Senator ELLENDER. Of the remaining 664 complaints that you have received, in what category are most of them?

Mr. TIFFANY. My impression—and I can verify this for the record later, sir, if I may—my impression is that the next greatest category would be in the field of administration of justice or in the field of employment.

Senator ELLENDER. Will you be able to put in the record the different complaints, categorize them, and the State in which they emanate?

Mr. TIFFANY. We can do that. We will be very glad to do that.

(The information referred to follows:)

#### SUMMARY OF COMPLAINTS

|  |        |
|--|--------|
| Grand total of all complaints received, 1957-59..... | 1, 048 |
| Voting.....  | 342    |
| Regular.....   | 706    |
| Total.....   | 1, 048 |
| Grand total voting complaints received 1957-59.....  | 342    |
| Sworn affidavits in 13 States.....                   | 280    |

AUGUST 25, 1959.

#### Voting complaints by States, Aug. 25, 1959

| State              | Total | Sworn | Unsworn | State               | Total | Sworn | Unsworn |
|--------------------|-------|-------|---------|---------------------|-------|-------|---------|
| Alabama.....       | 128   | 113   | 15      | Nebraska.....       | 1     |       | 1       |
| Arkansas.....      | 6     |       | 6       | New Jersey.....     | 1     | 1     |         |
| Florida.....       | 15    | 12    | 3       | North Carolina..... | 20    | 19    | 1       |
| Georgia.....       | 1     |       | 1       | Oklahoma.....       | 2     | 1     | 1       |
| Illinois.....      | 2     | 1     | 1       | Pennsylvania.....   | 3     |       | 3       |
| Indiana.....       | 2     | 1     | 1       | South Carolina..... | 3     |       | 3       |
| Kansas.....        | 1     |       | 1       | Tennessee.....      | 7     | 1     | 6       |
| Kentucky.....      | 2     |       | 2       | Texas.....          | 1     |       | 1       |
| Louisiana.....     | 95    | 88    | 7       | Virginia.....       | 3     |       | 3       |
| Maryland.....      | 1     | 1     |         | West Virginia.....  | 1     | 1     |         |
| Massachusetts..... | 1     |       | 1       | Wisconsin.....      | 2     |       | 2       |
| Mississippi.....   | 41    | 40    | 1       |                     |       |       |         |
| Missouri.....      | 2     | 1     | 1       | Total.....          | 342   | 280   | 62      |

## COMMISSION ON CIVIL RIGHTS, WASHINGTON, D.C.

Total complaints, other than voting, by States, Aug. 25, 1959 (not required to be sworn)

|                    |    |   |     |
|--------------------|----|---|-----|
| Alaska.....        | 2  | New Mexico.....                         | 2   |
| Alabama.....       | 23 | New York.....                           | 66  |
| Arizona.....       | 1  | North Carolina.....                     | 15  |
| Arkansas.....      | 3  | North Dakota.....                       | 0   |
| California.....    | 44 | Ohio.....                               | 33  |
| Colorado.....      | 3  | Oklahoma.....                           | 7   |
| Connecticut.....   | 11 | Oregon.....                             | 3   |
| Delaware.....      | 3  | Pennsylvania.....                       | 23  |
| Florida.....       | 29 | Rhode Island.....                       | 1   |
| Georgia.....       | 22 | South Carolina.....                     | 16  |
| Idaho.....         | 0  | South Dakota.....                       | 2   |
| Illinois.....      | 26 | Tennessee.....                          | 19  |
| Indiana.....       | 15 | Texas.....                              | 25  |
| Iowa.....          | 6  | Utah.....                               | 2   |
| Kansas.....        | 5  | Vermont.....                            | 0   |
| Kentucky.....      | 11 | Virginia.....                           | 18  |
| Louisiana.....     | 16 | Washington.....                         | 10  |
| Maine.....         | 2  | Washington, D.C.....                    | 17  |
| Maryland.....      | 6  | West Virginia.....                      | 4   |
| Massachusetts..... | 6  | Wisconsin.....                          | 8   |
| Michigan.....      | 18 | Wyoming.....                            | 1   |
| Minnesota.....     | 2  | Foreign countries.....                  | 5   |
| Mississippi.....   | 5  | Puerto Rico.....                        | 3   |
| Missouri.....      | 25 |   |     |
| Montana.....       | 3  | Subtotal.....                           | 583 |
| Nebraska.....      | 1  | Illegible, anonymous, abusive, etc..... | 123 |
| Nevada.....        | 1  |   |     |
| New Hampshire..... | 2  | Total.....                              | 706 |
| New Jersey.....    | 12 |   |     |

## COMPLAINTS DOCKET SURVEY (PUBLIC LAW 85-315, SEC. 104(A)(2))

1957, 1958, 1959 breakdown—State and subject (other than voting) Aug. 25, 1959

|   |    |                                |    |
|---|----|--------------------------------|----|
| Alaska.....   | 2  | California—Continued           |    |
| Employment.....   | 1  | Informational.....             | 4  |
| Nonspecific allegation request-<br>ing investigation.....       | 1  | Crank.....                     | 2  |
|   |    | Mental.....                    | 1  |
|   |    | Prison, inmate.....            | 1  |
|   |    | Miscellaneous.....             | 21 |
| Alabama.....  | 23 |                                |    |
| Administration of justice.....                                  | 5  | Colorado.....                  | 3  |
| Education.....  | 3  | Crank.....                     | 1  |
| Employment.....   | 4  | Inmate.....                    | 1  |
| Inmate, mental.....   | 3  | Mental.....                    | 1  |
| Inmate, penal.....  | 1  |                                |    |
| Miscellaneous.....  | 7  | Connecticut.....               | 11 |
| Arizona: Miscellaneous.....                                     | 1  | Administration of justice..... | 2  |
|   |    | Crank.....                     | 1  |
| Arkansas.....   | 3  | Employment.....                | 2  |
| Inmate, prison.....   | 1  | Indian affairs.....            | 1  |
| Miscellaneous.....  | 2  | Inmate, penal.....             | 1  |
|   |    | Mental.....                    | 4  |
| California.....   | 44 |                                |    |
| Administration of justice.....                                  | 10 | Delaware.....                  | 3  |
| Denial of equal protection,<br>general, retained for study..... | 1  | Administration of justice..... | 1  |
| Employment.....   | 1  | Inmate, penal.....             | 1  |
|   |    | Mental.....                    | 1  |

1957, 1958, 1959 breakdown—State and subject (other than voting) Aug. 25, 1959—  
Continued

|   |    |  |    |
|---|----|--|----|
| Florida.....                                  | 29 | Louisiana.....                               | 10 |
| Administration of justice.....                | 9  | Administration of justice.....               | 9  |
| Education.....                                | 1  | Informational.....                           | 3  |
| Employment and administration of justice..... | 1  | Miscellaneous.....                           | 4  |
| Inmate, mental.....                           | 2  | Maine: Miscellaneous.....                    | 2  |
| Inmate, penal.....                            | 2  | Maryland.....                                | 6  |
| Miscellaneous.....                            | 14 | Employment.....                              | 1  |
| Georgia.....                                  | 22 | Inmate, penal.....                           | 1  |
| Administration of justice.....                | 6  | Miscellaneous.....                           | 4  |
| Crank.....                                    | 1  | Massachusetts.....                           | 6  |
| Education.....                                | 2  | Administration of justice.....               | 1  |
| Employment.....                               | 3  | Education and administration of justice..... | 1  |
| Housing.....                                  | 1  | Housing.....                                 | 2  |
| Information.....                              | 2  | Miscellaneous.....                           | 2  |
| Inmate, penal.....                            | 4  | Michigan.....                                | 18 |
| Miscellaneous.....                            | 3  | Administration of justice.....               | 5  |
| Idaho.....                                    | 0  | Education.....                               | 2  |
| Illinois.....                                 | 26 | Employment.....                              | 3  |
| Administration of justice.....                | 13 | Informational.....                           | 1  |
| Crank.....                                    | 1  | Inmate, mental.....                          | 1  |
| Employment.....                               | 3  | Inmate, penal.....                           | 1  |
| Informational.....                            | 1  | Miscellaneous.....                           | 5  |
| Inmate, penal.....                            | 3  | Minnesota.....                               | 2  |
| Mental.....                                   | 3  | Housing.....                                 | 1  |
| Miscellaneous.....                            | 2  | Miscellaneous.....                           | 1  |
| Indiana.....                                  | 15 | Mississippi.....                             | 5  |
| Administration of justice.....                | 6  | Administration of justice.....               | 1  |
| Employment.....                               | 2  | Education.....                               | 1  |
| Informational.....                            | 2  | Inmate, penal.....                           | 1  |
| Inmate, penal.....                            | 2  | Miscellaneous.....                           | 2  |
| Mental.....                                   | 2  | Missouri.....                                | 25 |
| Miscellaneous.....                            | 1  | Administration of justice.....               | 3  |
| Iowa.....                                     | 6  | Education.....                               | 2  |
| Administration of justice.....                | 1  | Employment.....                              | 2  |
| Employment.....                               | 1  | Housing.....                                 | 1  |
| Mental.....                                   | 1  | Inmate, mental.....                          | 3  |
| Miscellaneous.....                            | 2  | Inmate, penal.....                           | 3  |
| Public facilities under (2).....              | 1  | Miscellaneous.....                           | 11 |
| Kansas.....                                   | 5  | Montana.....                                 | 3  |
| Administration of justice.....                | 3  | Informational.....                           | 1  |
| Employment.....                               | 1  | Inmate, mental.....                          | 1  |
| Inmate, penal.....                            | 1  | Miscellaneous.....                           | 1  |
| Kentucky.....                                 | 11 | Nebraska: Administration of justice.....     | 1  |
| Administration of justice.....                | 5  |  |    |
| Crank.....                                    | 1  |  |    |
| Informational.....                            | 1  |  |    |
| Mental.....                                   | 1  |  |    |
| Transportation.....                           | 3  |  |    |

1957, 1958, 1959 breakdown—State and subject (other than voting) Aug. 25, 1959—  
Continued

|  |    |                                 |    |
|--|----|---------------------------------|----|
| Nevada: Administration of justice..... | 1  | Pennsylvania.....               | 23 |
| New Hampshire.....                     | 2  | Administration of justice.....  | 9  |
| Administration of justice.....         | 1  | Education.....                  | 1  |
| Miscellaneous.....                     | 1  | Employment.....                 | 2  |
| New Jersey.....                        | 12 | Inmate, mental.....             | 4  |
| Administration of justice.....         | 1  | Inmate, penal.....              | 1  |
| Employment.....                        | 1  | Miscellaneous.....              | 6  |
| Inmate, mental.....                    | 1  | Rhode Island: Public accommoda- |    |
| Inmate, penal.....                     | 1  | tions, general.....             | 1  |
| Housing.....                           | 3  | South Carolina.....             | 16 |
| Mental.....                            | 1  | Administration of justice.....  | 6  |
| Miscellaneous.....                     | 4  | Education.....                  | 2  |
| New Mexico.....                        | 2  | Employment.....                 | 1  |
| Administration of justice.....         | 1  | Inmate, mental.....             | 1  |
| Employment.....                        | 1  | Inmate, penal.....              | 2  |
| New York.....                          | 56 | Miscellaneous.....              | 4  |
| Administration of justice.....         | 15 | South Dakota.....               | 2  |
| Education.....                         | 2  | Administration of justice.....  | 1  |
| Employment.....                        | 3  | Miscellaneous.....              | 1  |
| Housing.....                           | 4  | Tennessee.....                  | 10 |
| Informational.....                     | 4  | Administration of justice.....  | 7  |
| Inmate, mental.....                    | 7  | Employment.....                 | 2  |
| Inmate, penal.....                     | 5  | Housing.....                    | 1  |
| Mental.....                            | 2  | Informational.....              | 2  |
| Miscellaneous.....                     | 24 | Inmate, mental.....             | 1  |
| North Carolina.....                    | 15 | Inmate, penal.....              | 1  |
| Administration of justice.....         | 7  | Miscellaneous.....              | 4  |
| Employment.....                        | 3  | Transportation.....             | 1  |
| Inmate, penal.....                     | 4  | Texas.....                      | 25 |
| Transportation.....                    | 1  | Administration of justice.....  | 13 |
| North Dakota.....                      | 0  | Employment.....                 | 2  |
| Ohio.....                              | 33 | Informational.....              | 2  |
| Administration of justice.....         | 9  | Housing.....                    | 1  |
| Education.....                         | 2  | Inmate, penal.....              | 3  |
| Employment.....                        | 3  | Miscellaneous.....              | 4  |
| Housing.....                           | 1  | Utah.....                       | 2  |
| Informational.....                     | 3  | Employment.....                 | 1  |
| Inmate, mental.....                    | 2  | Inmate, mental.....             | 1  |
| Inmate, penal.....                     | 5  | Vermont.....                    | 0  |
| Miscellaneous.....                     | 7  | Virginia.....                   | 18 |
| Transportation.....                    | 1  | Administration of justice.....  | 8  |
| Oklahoma.....                          | 7  | Education.....                  | 2  |
| Housing.....                           | 2  | Employment.....                 | 3  |
| Miscellaneous.....                     | 4  | Housing.....                    | 1  |
| Public accommodations.....             | 1  | Inmate, mental.....             | 1  |
| Oregon: Administration of justice..... | 3  | Inmate, penal.....              | 1  |
|  |    | Miscellaneous.....              | 1  |

1957, 1958, 1959 breakdown—State and subject (other than voting) Aug. 25, 1959—  
Continued

|                                |    |                                    |   |
|--------------------------------|----|------------------------------------|---|
| Washington.....                | 10 | Wisconsin.....                     | 8 |
| Administration of justice..... | 1  | Administration of justice.....     | 2 |
| Education.....                 | 1  | Employment.....                    | 3 |
| Employment.....                | 1  | Informational request.....         | 1 |
| Informational.....             | 1  | Mental.....                        | 1 |
| Inmate, mental.....            | 1  | Miscellaneous.....                 | 1 |
| Inmate, penal.....             | 1  |                                    |   |
| Miscellaneous.....             | 4  | Wyoming: Inmate, penal.....        | 1 |
| Washington, D.C.....           | 17 | Puerto Rico.....                   | 3 |
| Administration of justice..... | 2  | Administration of justice.....     | 1 |
| Miscellaneous.....             | 15 | Employment.....                    | 1 |
| West Virginia.....             | 4  | Miscellaneous.....                 | 1 |
| Administration of justice..... | 1  | Foreign countries: Miscellaneous.. | 2 |
| Informational.....             | 1  |                                    |   |
| Mental.....                    | 2  |                                    |   |

#### GRANTS, SUBSIDIES, AND CONTRIBUTIONS

Senator ELLENDER. The committee has a lot of other Senators who would like to ask questions. I have only one question.

I would like to ask more except for the limitation of time.

I notice that in your justification sheet for the \$780,000 total for the entire year you have under item 11, "Grants, subsidies, and contributions," \$30,000. What is that item?

Mr. TIFFANY. That item involves certain benefits which are accorded to workers in the Federal Government under civil service rules and regulations with respect to retirement.

Senator ELLENDER. You say that is a subsidy?

Mr. TIFFANY. I understood it was the proper category in which that is done.

Senator ELLENDER. In other words, the employees of the Commission are under civil service, some of them?

Mr. TIFFANY. Yes.

Senator ELLENDER. This \$30,000 goes toward the contribution?

Mr. TIFFANY. Necessary for compliance with civil service rules and regulations; yes, sir.

#### BORROWED PERSONNEL

Senator ELLENDER. I have only one more question. You borrowed Mr. Lief from General Services Administration?

Mr. TIFFANY. Yes, sir; Leonard Lief.

Senator ELLENDER. Where does he come in? You did not account for him, a while ago?

Mr. TIFFANY. He comes in under the "Other contractual services," object classification 07, Senator. He is not on loan. He does not actually work in the offices of the Commission, sir. He works for the General Services Administration regularly and was designated as liaison with the Commission when we arranged to have our house-keeping work done for us by the General Services Administration.

Senator ELLENDER. Who pays for his services?

Mr. TIFFANY. He is paid by GSA.

Senator ELLENDER. On a reimbursable basis?

Mr. TIFFANY. Yes, sir.

Senator ELLENDER. Is he in addition to the 67 people that you have mentioned before?

Mr. TIFFANY. Yes, sir; he is.

Senator ELLENDER. How many are working under your supervision in administration and accounting?

Mr. LIEF. Pardon me, sir, but I would like to correct the record. The Civil Rights Commission last year paid GSA \$21,000 for all types of administrative work—personnel, accounting, budgeting, security, et cetera. This may have required some few hours' work on the part of many different people employed in GSA.

Only about 1 day a month of my time is devoted to the work of the Commission.

Senator ELLENDER. And that day is reimbursed; I mean it should be?

Mr. LIEF. I am paid by General Services Administration. I am in the budget office there. I have other programs. This is just a little job I have on the side.

#### CONTRACTUAL SERVICES

Senator ELLENDER. How many are there in addition to the 67 that are employed?

Mr. LIEF. No people are specifically employed on this program. The \$21,000 we received last year was based on about 2 man-years of accounting and budget work, 1 man-year of personnel work, 1 man-year of security, and 1 man-year of office services, a total of about 5 man-years altogether.

Senator ELLENDER. Five man-years?

Mr. LIEF. That is right.

Senator ELLENDER. Are there any other contractual services, Mr. Tiffany, other than the one described by Mr. Lief?

Mr. TIFFANY. I would mention two in passing. One would be that the Library of Congress has performed certain basic work, fundamental to the studies of the Commission.

Through their Legislative Research Division during the recess of the Congress they were able to assist in compiling the laws and the decisions of the various 50 States, and ancient history, some of them, that have gone before, and furnished a basis for our studies.

That was the principal expenditures, with the Library of Congress.

Senator ELLENDER. What did that cost?

Mr. TIFFANY. Last year it cost \$87,496.

Senator ELLENDER. Was that the material that was used by your planning division?

Mr. TIFFANY. Yes, sir; not only used by that division, but it also went into handbooks which were distributed to the State advisory committees in the various States.

(Discussion off the record.)

Senator ELLENDER. What other contractual services do you have?

Mr. TIFFANY. The other one I would mention is with regard to transcribing the hearings, sir. We contract to have a court stenographer present at the hearings.

Senator ELLENDER. How much did you spend for that?

Mr. TIFFANY. That is under the direction of the secretariat.

Senator ELLENDER. Well, whatever it is—

Mrs. ARTH. Around \$7,000.

Senator ELLENDER. Is that all?

Mr. TIFFANY. That is all that comes to mind at the present time, Senator.

Senator ELLENDER. Thank you.

Chairman HAYDEN. Are there any further questions?

If not, we thank you.

#### EXPIRATION DATE OF COMMISSION

Senator MAGNUSON. Mr. Chairman, I did want to ask one question. When does the life of the Commission expire?

Mr. TIFFANY. Under the existing law we are to make our final report not later than September 9. We are given a 60-day period in which to "fold our tents and move silently away."

Senator MAGNUSON. Unless Congress did act in the meantime?

Mr. TIFFANY. That is right.

Senator MAGNUSON. If Congress did act and extend its life, would this amount be sufficient to carry on until we get back?

Mr. TIFFANY. Yes, sir. That is the purpose of the request: to provide funds until June 30, 1960.

Chairman HAYDEN. Thank you.

(The following letter was subsequently received:)

COMMISSION ON CIVIL RIGHTS,  
Washington, D.C., August 26, 1959.

HON. CARL HAYDEN,  
Chairman, Committee on Appropriations,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: You will find enclosed the materials for the record requested at the hearing on August 25, 1959, regarding the supplemental appropriation request of \$500,000 for the extension of the Commission on Civil Rights. I am also returning herewith the copy of the hearing transcript delivered to us.

I would like to call to your attention the letter of August 22, 1959, addressed by President Eisenhower to the President of the Senate recommending that certain supplemental appropriations in the amount of \$19,349,000 as requested by the Bureau of the Budget be approved. These included the \$500,000 which we gave testimony to justify.

I am sorry that this letter did not reach Mr. Tiffany until after he returned from the hearing before your subcommittee, otherwise I feel confident he would have referred to it in his testimony.

Sincerely yours,

Mrs. CAROL RENNER ARTH,  
Executive Secretary to the Commission.

THE WHITE HOUSE,  
Washington, August 22, 1959.

THE PRESIDENT OF THE SENATE.

SIR: I have the honor to transmit herewith for the consideration of the Congress proposed supplemental appropriations for the fiscal year 1960 in the amount of \$19,349,000 for various agencies of the executive branch.

The details of these proposed appropriations, the necessity therefor, and the reasons for their submission at this time are set forth in the attached letter from the Director of the Bureau of the Budget, with whose comments and observations thereon I concur.

Respectfully yours,

DWIGHT D. EISENHOWER.



**COMMISSION ON INTERNATIONAL RULES OF JUDICIAL PROCEDURE**  
**STATEMENT OF HERBERT BROWNELL, CHAIRMAN OF THE COM-**  
**MISSION ON INTERNATIONAL RULES OF JUDICIAL PROCEDURE**

**BUDGET REQUEST**

Chairman HAYDEN. The next item concerns the request of \$34,000 for the Commission on International Rules of Judicial Procedure.

This sum will provide \$9,000 for operations through December 31, 1959, the date on which the commission expires under existing law, and \$25,000 for operations beyond that date if legislation extending its life is enacted.

The second supplemental bill, Public Law 86-30, approved May 20, 1959, provided \$25,000 for the commission to remain available until December 31, 1959.

I understand the House passed a bill, H.R. 8461, on August 17, 1959, to extend the life of this commission 2 years.

The estimate and justifications to support the request will be placed in the record.

All right, Mr. Brownell, the committee is pleased to hear from you on the matter.

(The justification referred to follows:)

**"COMMISSION ON INTERNATIONAL RULES OF JUDICIAL PROCEDURE**

**"SALARIES AND EXPENSES**

*"For an additional amount for 'Salaries and expenses', \$34,000, of which \$25,000 shall be available only upon the enactment into law of H.R. 8461, or similar legislation, extending the life of the Commission on International Rules of Judicial Procedure."*

This proposed supplemental appropriation is to provide \$9,000 for the Commission on International Rules of Judicial Procedure to operate through December 31, 1959, the date on which the Commission expires under existing law, and \$25,000 for operation of the Commission beyond that date if legislation extending its life is enacted. The requested \$9,000 would restore financing lost to the Commission when the unobligated balance of an allocation from the emergency fund for the President lapsed on June 30, 1959, before it could be used. Restoration is necessary to make available the full \$50,000 which it is believed the Congress intended for the Commission to have for the duration of its life under existing law. The remaining \$25,000 will not become available unless legislation, now pending in the Congress, is enacted to extend the life of the Commission.

**PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS**

A supplemental appropriation of \$9,000 for fiscal year 1960 is requested to replace funds in that amount derived from the President's emergency fund which became unavailable after the close of fiscal year 1959, and an additional sum of \$25,000 which is to become available upon the passage by the Congress of H.R. 8461 to extend the life of the Commission to December 31, 1961.

The act of September 2, 1958, establishing the Commission, authorized an appropriation of \$75,000 for the 1 year's life of the Commission as provided by the act. The members of the Commission were appointed on December 30, 1958, and in March received an advance of \$25,000 from the President's emergency fund on the condition that the loan be repaid from the appropriation when received.

A request of the Commission for an appropriation of \$75,000 was contained in the second supplemental appropriation bill, 1959. On recommendation of its Appropriation Committee, the House allowed only \$25,000 which was to be available for the entire calendar year 1959. The Senate raised the amount to \$50,000 upon the recommendation of its appropriation Committee which stated in its report:

*"Commission on International Rules of Judicial Procedure*

|   |          |
|---|----------|
| Supplemental estimate (H. Doc. 58)..... | \$75,000 |
| House allowance.....                    | 25,000   |
| Committee recommendation.....           | 1 50,000 |

"1 Plus \$25,000 advanced from the President's emergency fund.

"The committee has approved the cash appropriation of \$50,000 instead of \$25,000, the amount allowed by the House. In addition, it is the committee's judgment that the \$25,000 received from the President's emergency fund not be repaid, so as to make a total of \$75,000 available to meet the necessary expenses of the Commission in the 9 months' period of its operation, to end December 31, 1959, under the provisions of Public Law 85-906, approved September 2, 1958. This allowance is all the funds to be provided to complete the program."

It was thus the understanding of the Senate that the Commission would have the use for the entire calendar year of the \$50,000 to be appropriated plus the \$25,000 from the President's emergency fund making together the \$75,000 authorized and requested.

Subsequently, the conference of the House and Senate reduced the amount to that recommended by the House, \$25,000.

On June 29, the Commission was notified that the unexpended and unobligated balance derived from the President's emergency fund would not be available after the close of fiscal 1959 because it was advanced from the President's appropriation for fiscal 1959. The funds thus lost to the Commission amounted to approximately \$9,000.

Since the staff of the Commission was not employed until April and May, only part of the President's loan had been expended prior to the end of fiscal 1959. The Commission relied on the availability of the other part to supplement the appropriation of \$25,000 made by the Second Supplemental Deficiency Act, 1959, to last until December 31, 1959, at the level of expenditure prevailing on June 30, 1959. The loss of these funds makes it impossible to continue operations at that level and part of this request is for a restoration of the lost funds.

The appropriation of \$25,000, available to the Commission as of July 1, 1959, is barely sufficient to cover personal services alone. Salaries and other items for personal services of the Director, two attorneys and one stenographer-secretary for the 6-month period total about \$23,000 leaving only \$2,000 for all other items of expenditure including travel, communication services, printing and reproduction, other contractual services, supplies and equipment. It will be impossible to hold further meetings of either the Commission or the Advisory Committee. A single 2-day meeting of the Advisory Committee of the Commission was held in May 1959 which cost in travel and subsistence allowances to the 14 members in attendance the sum of \$3,000.

The requested \$9,000 would enable the Commission to continue operations on a minimal basis until December 31, 1959.

The Commission has requested legislation extending its life, and H.R. 8213 and H.R. 8461 have been introduced extending the termination date to December 31, 1961. H.R. 8461 has been passed by the House, and, if passed by the Senate, will extend the life of the Commission beyond calendar year 1959 when it will have no funds with which to operate. The \$25,000 requested upon the contingency of the enactment of H.R. 8461, will enable the Commission to carry on its operations at the present level until such time in the calendar year 1960 as will permit the Congress to reexamine the needs of the Commission.

## Object classification

|  | Presently<br>available,<br>1960 | Revised<br>estimate,<br>1960 | Increase      |
|--|---------------------------------|------------------------------|---------------|
| Total number of permanent positions.....         |                                 |                              |               |
| Full-time equivalent of all other positions..... | 2                               | 3                            | +1            |
| Average number of all employees.....             | 2                               | 3                            | +1            |
| Number of employees at end of year.....          |                                 |                              |               |
| <b>Personal services:</b>                        |                                 |                              |               |
| Positions other than permanent.....              | \$22,200                        | \$33,800                     | \$11,600      |
| Travel.....                                      |                                 | 11,000                       | 11,000        |
| Transportation of things.....                    |                                 |                              |               |
| Communication services.....                      | 300                             | 1,800                        | 1,500         |
| Printing and reproduction.....                   | 1,500                           | 3,000                        | 1,500         |
| Other contractant services.....                  |                                 | 7,800                        | 7,800         |
| Supplies and materials.....                      | 200                             | 700                          | 500           |
| Equipment.....                                   |                                 |                              |               |
| Grants, subsidies, and contributions.....        | 680                             | 650                          | 70            |
| Taxes and assessments.....                       | 220                             | 250                          | 30            |
| <b>Total cost (obligations).....</b>             | <b>25,000</b>                   | <b>59,000</b>                | <b>34,000</b> |

(H.R. 8461, 86th Cong., 1st sess.)

AN ACT To amend the Act of September 2, 1958, establishing a Commission and Advisory Committee on International Rules of Judicial Procedure

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second paragraph of subsection (b) of section 7 of the Act of September 2, 1958, establishing a Commission and Advisory Committee on International Rules of Judicial Procedure is amended to read as follows:

"The Commission shall submit its final report and the Commission and the Advisory Committee shall terminate prior to December 31, 1961."

Passed the House of Representatives August 17, 1959.

Attest:

RALPH R. ROBERTS, Clerk.

[Extract of House floor debate of Aug. 17, 1959, pp. 14686-14687, on bill, H.R. 8461, to amend the act of Sept. 2, 1958]

## INTERNATIONAL RULES OF JUDICIAL PROCEDURE

The Clerk called the bill (H.R. 8461) to amend the act of September 2, 1958, establishing a Commission and Advisory Committee on International Rules of Judiciary Procedure.

The SPEAKER pro tempore. Is there objection to the present consideration of the bill?

Mr. ROONEY. Mr. Speaker, reserving the right to object, I should like to inquire if this is the same Commission that was established about a year ago by a bill called up on the Consent Calendar, with an assurance to the House at that time that the total cost of the Commission would be not more than \$5,000, which Commission subsequently came to the House Committee on Appropriations with a request for \$75,000? Is this the same Commission?

Mr. WALTER. This is the same Commission. However, I might state to the gentleman that the Commission does not function because there are vacancies and that is the reason for this amendment. It merely extends the life of the Commission.

Mr. ROONEY. It is my understanding, I must say to my distinguished friend, the gentleman from Pennsylvania, that there were nine members appointed on this Commission, all of one political faith, under the aegis of the former distinguished Attorney General, Mr. Brownell. At the present time, this seems to be an effort to extend the life of the Commission and to cost the taxpayer an additional \$75,000, for some work that could just as well be done by the American Bar Association, the Ford Foundation or some such private agency as these, without any cost to the American taxpayer.

Mr. WALTER. Mr. Speaker, I do not know whether any of the foundations or organizations which the gentleman has mentioned have indicated a willingness to perform these very necessary functions. But with respect to the people

appointed on the Commission I know of several of the members, one of whom is a member of the staff of the Committee on the Judiciary. He has been a life-long Democrat. I do know that former Attorney General McGranery was offered a position; and I know that two justices from the third circuit have been recommended for appointment and will probably be appointed, and they are both Democrats.

Mr. CELLER. Mr. Speaker, will the gentleman yield?

Mr. ROONEY. I yield to the distinguished gentleman from New York.

Mr. CELLER. As to the appointments being of one political faith, that is unfortunately true. I took that up with the Deputy Attorney General and I said that was highly unfair. He admitted finally it was unfair and has agreed to rectify that situation. Two vacancies have occurred and pledges have been given that the two new members would be of a different political faith than the other seven and if other vacancies occur Democrats will be appointed until there is a fair balance. There are also advisory members. Most of the advisory members are of the political faith to which the gentleman and I belong. So that situation is being remedied. It is quite unlikely I will say to the gentleman from New York that the various foundations would be willing to do this type of work. It is purely legal. It provides for making possible easier service of judicial process upon foreign corporations in foreign countries; the obtaining of evidence; the proof of foreign law. You have these difficult language barriers to contend with. There are some 80 countries to deal with with so many diverse languages and within those countries there are subdivisions. For example, in Switzerland you have the various cantons and in India you have the different provinces or the states. In Mexico you have the several states, languages differ in various of these local political and subdivisions and so on. You have these grave difficulties in effectuating service and you have great difficulties in the process of receiving evidence greatly exacerbated by language barrier. This committee is trying to overcome these difficulties by establishing and aiding in the establishment of treaties with these 80 different nations. The program of translation of documents and laws is stupendous. It is a very important assignment and a very difficult one. The commission is bent upon a painstaking job. I think it should indeed earn the plaudits of this Congress and the bill ought to pass.

Mr. WALTER. Mr. Speaker, will the gentleman yield?

Mr. ROONEY. I yield.

Mr. WALTER. I would like to call the attention of the gentleman to the fact that because of the war it has been difficult to settle many estates in many of the nations in the world. In finally working out these settlements it is important that there be some sort of uniform procedure, particularly with respect to the taking of affidavits of people who are not in the United States.

Mr. ROONEY. I might say that during the course of the House appropriations hearings it appeared that it originally was the intention to do this all by mail. Has this now gotten to the point where it is going to cost the taxpayers additional money beyond what was already provided for this Commission?

Mr. WALTER. No. I do not think any of the money has been expended. Certainly the only expenditures will be for the very modest staff that this Commission will have to have in order to carry out the mailing of the proposed forms that the gentleman knows about.

Mr. ROONEY. Then the gentleman feels that we have an assurance from the Commission that this will not cost the taxpayers any additional sums?

Mr. WALTER. I do not have the faintest idea.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. ROONEY. I yield.

Mr. GROSS. I believe I raised the question when the bill was originally on the floor about the cost.

Mr. WALTER. The gentleman from Iowa did raise that question.

Mr. GROSS. I think I was told by the gentleman from Pennsylvania [Mr. Walter] that it was supposed it would cost \$5,000.

Mr. WALTER. Yes, I am sure I informed the gentleman from Iowa that it would cost \$5,000.

Mr. GROSS. Do I understand that the cost has been upped to \$150,000 for this? Or what is it?

Mr. ROONEY. I notice in the report, I should say to the distinguished gentleman from Iowa, that Mr. Brownell has requested an additional \$75,000 under date of April 22, 1959, but the Committee on the Judiciary in its wisdom has denied or ignored that request and has brought us the bill now on this Consent Calendar which does not provide for any additional funds. Is that correct?

Mr. CELLER. The gentleman is correct.

Mr. ROONEY. So we have an assurance that it will not cost any further sums of taxpayers' money. In that event, Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

*"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second paragraph of subsection (b) of section 7 of the Act of September 2, 1958, establishing a Commission and Advisory Committee on International Rules of Judicial Procedure is amended to read as follows:*

*"The Commission shall submit its final report and the Commission and the Advisory Committee shall terminate prior to December 31, 1961."*

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

#### GENERAL STATEMENT

Mr. BROWNELL. Thank you, Mr. Chairman; you have accurately described the request which I am making this morning as Chairman of this Commission on behalf of the Commission, for \$34,000, \$9,000 of which would enable us to carry on until the end of the calendar year, which is the expiration date presently on the statute books; and the other \$25,000 which we request would enable us to carry on in the event that the Senate passes the bill which has already passed the House to extend the life of this Commission for 2 years, which would take it up until December 31, 1961.

Chairman HAYDEN. I think it is a very simple matter. Are there any questions?

Senator SALTONSTALL. Yes, Mr. Chairman.

Did we not cut out this \$9,000? I thought if we put in this \$9,000, which it is my memory that the Senate did and which was cut out in conference, that you would be able to complete your work before your Commission ran out; is that right?

#### FUNDS. SITUATION

Mr. BROWNELL. If I get the question, Senator, there was \$25,000 that came from the President's emergency fund to start the work of the Commission.

We had counted on a part of that to complete the balance of our work for this year, but under the rules, at the end of the fiscal year on June 30, the balance unexpended in that fund is no longer available to the Commission. We had a balance of \$9,000 on which we were counting and that is the reason for the \$9,000 that we are requesting now.

#### NEED FOR ADDITIONAL TIME

Senator SALTONSTALL. Why is it necessary to extend this Commission for 2 years? If I listened correctly, the work could be done and completed by the 1st of December, if you had the money.

Mr. BROWNELL. I would say that it would be impossible to do the kind of job that Congress had in mind, which was described at the

time the bill setting up the Commission was established, because it is fairly complicated in its nature.

It requires a study of the laws relating to judicial systems not only of this country which might lead up to changes in the Federal and State statutes, but it also means the study of the applicable laws in other countries of the world, civil-law as well as the common-law countries, and that takes a considerable amount of doing.

Senator SALTONSTALL. Is that not some new undertaking, then?

Mr. BROWNELL. No, that was provided for. That was the main purpose, in fact, of the original bill.

Senator SALTONSTALL. Is my memory wrong that the work could be completed by November if you had the money?

Mr. BROWNELL. Yes. I have never felt that it could be completed this year.

You see, we were very late getting started. The bill was originally introduced so that the Commission would have had a life of 2 years, but in fact, we only had a life of a few months.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Senator ELLENDER. Mr. Chairman, it was my understanding that whoever appeared before us some time ago—I do not recall who it was—stated that if we allowed the \$25,000 that they could complete the work with that.

Here we are confronted with a request, as I understand it, for \$75,000 per year for 2 years, or \$150,000.

Am I correct in that?

#### PRESENT REQUEST AND WORK PROPOSED

Mr. BROWNELL. No. All we are asking for here is \$34,000, including the \$9,000 for the balance of this year, and \$25,000 for the next year.

That is the only request that is before the committee now, sir.

Senator ELLENDER. I know, but how much have you asked in your new authorization, for the extension of this program?

Mr. BROWNELL. Nothing.

Senator ELLENDER. Can you do all of your work with the \$75,000 originally suggested as the cost of doing this work?

Mr. BROWNELL. I would answer that this way, Senator: that the amount and detail of our work would be up to the Congress. If they want us to expand it after we report back to them next spring that would be a different problem, but we can do a workmanlike job for the original \$75,000.

We will have gotten far enough in the subject at that time so that we can give you in detail what further work could be done if it is the judgement of Congress that they want more work done.

In other words, it is a tremendous field and it depends on how much you want done.

We have very carefully limited the work so that we can do it within the original \$75,000 authorized up to a point where we think it will be of real value to the Government and the practicing lawyers in this country.

Senator ELLENDER. What is the object of renewing it for 2 years?

As Senator Saltonstall pointed out, and as I recall, this work was to be done in 1 year if we gave you the full amount.

Here we have already spent or appropriated, what is it, \$34,000?

Mr. BROWNELL. You have appropriated \$25,000 plus \$16,000; \$41,000.

We are asking for another \$34,000 which would bring it up to the aggregate of \$75,000.

#### COMPLETION DATE FOR COMMISSION

Senator ELLENDER. You contemplate completing this work during this fiscal year?

Mr. BROWNELL. I don't think so. I think we will carry on—the way I would visualize it would be this: that by next spring we will have completed recommendations which would be in line with the original purpose of the Commission. We will report that back to the Congress, show them what additional work could be done if they desire to authorize it.

Senator ELLENDER. As some of us stated when this Commission was organized that all too often when commissions are organized they never die.

Mr. BROWNELL. We hope to be the exception to prove the rule. This is a labor of love for the people that are on it.

Senator ELLENDER. I fervently hope so.

Let me put it that way.

Mr. BROWNELL. I do, too, Senator.

#### WORK OF BAR ASSOCIATION

Senator ALLOTT. In the original justification for this Commission, and also last spring and at great length there were numerous representations made that the bar associations were going to perform a lot of this work on this Commission. How much have the bar associations or the lawyers individually contributed to the work on this Commission?

Mr. BROWNELL. We have established pretty good liaison with a number of the more active bar associations. A number of them have set up special committees. Others have authorized their regular committees on comparative and international law to work with us.

I would say they are carrying their share of the load.

#### PARTICIPATION OF FOREIGN COUNTRIES

We also have established contact with similar groups in other countries. They are planning to help us. Our advisory commission of 15 members of very distinguished attorneys and law professors have given us access to records and files that are invaluable to the Commission from the firms that do international law business on a day-to-day basis, and also from the libraries of the law schools.

So it is a cooperative venture, I think.

Senator ALLOTT. Does this mean that the lawyers of this country or the American Bar Association, or a section of it, are actually assuming a part of the responsibility for carrying on this program?

#### BAR ASSOCIATION WORK NOT ADMINISTRATIVE

Mr. BROWNELL. Well, they have offered to help us; yes. They have already submitted certain material to us that we find quite

helpful. They are not taking any of the administrative load, but they are advising us and making files of actual litigation which we otherwise would not have access to, available to us.

Senator ALLOTT. I do not want to carry this on, but I cannot see that this conforms with the original representation which was made that the individual lawyers and the bar associations were going to actually do a lot of this independent work for the Commission themselves. This is not so.

Mr. BROWNELL. I would say that this is so in the field of research, but the actual administrative work and collection of material is all done by the staff of the Commission.

Senator ALLOTT. That is all, Mr. Chairman.

Chairman HAYDEN. We thank you for your appearance.

Mr. BROWNELL. Thank you very much.



# DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

## PUBLIC HEALTH SERVICE

### STATEMENT OF DR. AARON W. CHRISTENSEN, DEPUTY CHIEF, DIVISION OF INDIAN HEALTH; ACCOMPANIED BY ALBERT H. STEVENSON, CHIEF, ENVIRONMENTAL SANITATION BRANCH, AND HARRY F. DORAN, BUDGET OFFICER

#### INDIAN HEALTH FACILITIES

Chairman HAYDEN. I asked that a representative of the Department of Health, Education, and Welfare appear in connection with the provision of Indian health facilities as authorized by Public Law 86-121, approved July 31, 1959.

Mr. Christensen, Deputy Chief of the Division of Indian Health of the Public Health Service is present.

Mr. CHRISTENSEN. Yes, sir.

Chairman HAYDEN. The occasion for calling you is that in the August 19, 1958 issue of the Phoenix, Ariz., Gazette, this statement appeared:

Lehi district Indians on the Salt River Reservation—dependent on a remotely located irrigation pump for drinking water since their only domestic well went dry—today sounded an S O S for an emergency water supply.

Charles Cough, chairman of the Pima-Maricopa Tribal Council, said that some parched Indian families must walk more than a mile, carrying water on their backs, since the reservation well, a poor supply at best, dried up 2 weeks ago.

Cough said the only source of domestic water on the reservation is a Salt River Valley Water Users Association pump on North Power Line Road on the reservation border.

Then the article went on to say:

A check with the U.S. Public Health Service charged with Indian health and sanitation, revealed that it apparently will be some time before the Indians can depend on any relief from the Federal Government.

An Indian sanitation bill which would provide for reservation water supplies finally passed Congress and was signed into law last month.

But the bill only gives the Health Service authority to provide water supplies. It did not carry an appropriation. A Health Service spokesman here said that, barring a supplemental or emergency appropriation, it will be after the beginning of fiscal year 1960-61 before funds are available.

#### EMERGENCY WATER CONDITIONS, SOUTHWEST

Chairman HAYDEN. While there is no budget estimate I wonder if you could state whether this is the only emergency condition where a water supply is concerned. I am talking about drinking water. Are there other cases where perhaps this committee in its wisdom might be persuaded to make an emergency appropriation which is authorized by the law I have cited.

Mr. CHRISTENSEN. Senator, we have been noticing with increasing frequency within the last several weeks a number of emergency situa-

tions that are occurring from the various areas. These emergency situations involve basically sanitation and basically they are water supplies, such things as wells that are only giving water intermittently or wells in which the water supply has completely ceased.

We have, for instance, a spring which has been washed out. These are serious as far as we are concerned because there is a direct relationship between the morbidity of certain diseases and the lack of water supply or inadequate water supply.

For instance, the bacillary dysentery rate around Indians is around 13 times greater than that of the general population.

We know also that about 16 percent of our admissions to our small Indian hospitals are admitted to the hospital because of diarrheal and parasitic diseases.

We further know that the infant mortality for infants over 30 days of age is five times greater than the general population.

Now, many of these infants die from diarrheal diseases and again these are related to inadequate water or unsafe water supplies.

In going over some of the problems we found, first, that the greatest number of emergencies are in the Southwest. One of the reasons, in our opinion, is the fact that the ground-water table in the Southwest is pretty low to begin with, and, secondly, that since January of this year their 6 months average of rainfall is less than 50 percent of normal.

We anticipate on the basis of this that there will be further drying up of wells. The domestic water wells, that the Indians use are right at the critical ground-water level anyway, so that any further dropping of this ground-water table will result, as I mentioned before, in further drying up of the wells.

Chairman HAYDEN. Aside from Arizona, in what other places are the Indians having any trouble in obtaining water?

#### OTHER AFFECTED AREAS

Mr. CHRISTENSEN. We have about 14 reservations that have been involved. We have projects in our Billings subarea, at Rocky Boy, a reservation in Montana.

We have another where a well has gone dry in the Northern Cheyenne Reservation in Montana.

We have a well that is drying up that is used by about 55 Indian families.

At the Wind River Reservation in Wyoming they get part of their water at the present time from the river. The river, due to a minimum rainfall, is extremely low and is more contaminated than usual.

The Crow Reservation at Pryor, Mont., has a waterhole that is dry.

This is where about 25 Indian families get their domestic water.

In the Aberdeen area, Cheyenne River Reservation at South Dakota, Turtle Mountain Reservation in North Dakota, and Chippewa Tribe in Minnesota involving Mille Lac and Granite Falls where small groups of Indians are, these wells need rehabilitation.

In New Mexico, the Zia Pueblo the water supply is low, and this is the one that furnishes water for around 350 Indians and the water is being rationed at the present time.

We have another very severe problem at Laguna and Acoma Pueblos in New Mexico, just out of Albuquerque. This problem is

one which will require a fair amount of study because there is a great scarcity of water in the area to begin with.

Senator CHAVEZ. In Laguna pueblo it is very acute for the reason that the pueblo is composed of nine different communities. There is Laguna proper. You go to Wagon Mound and they are scattered all over the valley.

I know of my own knowledge that that is very acute. The only water they have had of late is about 8 or 10 years ago. I do not believe that you folks had taken over Indian health at the time.

Chairman HAYDEN. Do you have any problem in Nevada?

Mr. CHRISTENSEN. In Nevada at Fort McDermitt the wells have gone dry.

Chairman HAYDEN. How much is the total amount of the authorization provided by Congress? How much would you now need for that purpose?

Mr. CHRISTENSEN. For these emergency situations?

Chairman HAYDEN. No. What sum could be made available. My recollection is that the total amount authorized to be appropriated is \$2 million; is that correct?

Mr. CHRISTENSEN. We do not have any authorization for appropriations at all. We just have the enabling legislation at the present time.

#### AUTHORIZING LEGISLATION

Chairman HAYDEN. The enabling legislation certainly must authorize appropriations for which budget estimates can be submitted. It is an authority of law to make appropriation. It does not give you any authority to make expenditures until Congress has acted.

I will include at this point in the record the act to indicate just what it authorizes.

(The act referred to follows:)

Public Law 86-121

86th Congress, S. 56

July 31, 1959

AN ACT To amend the Act of August 5, 1954 (68 Stat. 674), and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Act of August 5, 1954 (68 Stat. 674), is amended by adding at the end thereof the following new section:

"SEC. 7. (a) In carrying out his functions under this Act with respect to the provision of sanitation facilities and services, the Surgeon General is authorized—

"(1) to construct, improve, extend, or otherwise provide and maintain, by contract or otherwise, essential sanitation facilities, including domestic and community water supplies and facilities, drainage facilities, and sewage- and waste-disposal facilities, together with necessary appurtenances and fixtures, for Indian homes, communities, and lands;

"(2) to acquire lands, or rights or interests therein, including sites, rights-of-way, and easements, and to acquire rights to the use of water, by purchase, lease, gift, exchange, or otherwise, when necessary for the purposes of this section, except that no lands or rights or interests therein may be acquired from an Indian tribe, band, group, community, or individual other than by gift or for nominal consideration, if the facility for which such lands or rights or interests therein are acquired is for the exclusive benefit of such tribe, band, group, community, or individual, respectively;

"(3) to make such arrangements and agreements with appropriate public authorities and nonprofit organizations or agencies and with the Indians to be served by such sanitation facilities (and any other person so served)

regarding contributions toward the construction, improvement, extension and provision thereof, and responsibilities for maintenance thereof, as in his judgment are equitable and will best assure the future maintenance of facilities in an effective and operating condition; and

"(4) to transfer any facilities provided under this section, together with appurtenant interests in land, with or without a money consideration, and under such terms and conditions as in his judgment are appropriate, having regard to the contributions made and the maintenance responsibilities undertaken, and the special health needs of the Indians concerned, to any State or Territory or subdivision or public authority thereof, or to any Indian tribe, group, band, or community or, in the case of domestic appurtenances and fixtures, to any one or more of the occupants of the Indian home served thereby.

"(b) The Secretary of the Interior is authorized to transfer to the Surgeon General for use in carrying out the purposes of this section such interest and rights in federally owned lands under the jurisdiction of the Department of the Interior, and in Indian-owned lands that either are held by the United States in trust for Indians or are subject to a restriction against alienation imposed by the United States, including appurtenances and improvements thereto, as may be requested by the Surgeon General. Any land or interest therein, including appurtenances and improvements to such land, so transferred shall be subject to disposition by the Surgeon General in accordance with paragraph (4) of subsection (a): *Provided, That*, in any case where a beneficial interest in such land is in any Indian, or Indian tribe, band, or group, the consent of such beneficial owner to any such transfer or disposition shall first be obtained: *Provided further*, That where deemed appropriate by the Secretary of the Interior provisions shall be made for a reversion of title to such land if it ceases to be used for the purpose for which it is transferred or disposed.

"(c) The Surgeon General shall consult with, and encourage the participation of, the Indians concerned, States and political subdivisions thereof, in carrying out the provisions of this section."

SEC. 2. Section 6 of such Act is amended by striking out the word "This" and inserting in lieu thereof the words "Sections 1 to 5, inclusive, of this".

Approved July 31, 1959.

Public Law 568—83d Congress

Chapter 658—2d Session

H.R. 303

AN ACT To transfer the maintenance and operation of hospital and health facilities for Indians to the Public Health Service, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That all functions, responsibilities, authorities, and duties of the Department of the Interior, the Bureau of Indian Affairs, Secretary of the Interior, and the Commissioner of Indian Affairs relating to the maintenance and operation of hospital and health facilities for Indians, and the conservation of the health of Indians, are hereby transferred to, and shall be administered by, the Surgeon General of the United States Public Health Service, under the supervision and direction of the Secretary of Health, Education, and Welfare: *Provided*, That hospitals now in operation for a specific tribe or tribes of Indians shall not be closed prior to July 1, 1956, without the consent of the governing body of the tribe or its organized council.

SEC. 2. Whenever the health needs of the Indians can be better met thereby, the Secretary of Health, Education, and Welfare, is authorized in his discretion to enter into contracts with any State, Territory, or political subdivision thereof, or any private nonprofit corporation, agency or institution providing for the transfer by the United States Public Health Service of Indian hospitals or health facilities, including initial operating equipment and supplies.

It shall be a condition of such transfer that all facilities transferred shall be available to meet the health needs of the Indians and that such health needs shall be given priority over those of the non-Indian population. No hospital or health facility that has been constructed or maintained for a specific tribe of Indians, or for a specific group of tribes, shall be transferred by the Secretary of Health, Education, and Welfare to a non-Indian entity or organization under this Act unless such action has been approved by the governing body of the tribe, or by the governing bodies of a majority of the tribes, for which such hospital or health

facility has been constructed or maintained: *Provided*, That if, following such transfer by the United States Public Health Service, the Secretary of Health, Education, and Welfare finds the hospital or health facility transferred under this section is not thereafter serving the need of the Indians, the Secretary of Health, Education, and Welfare shall notify those charged with management thereof, setting forth needed improvements, and in the event such improvements are not made within a time to be specified, shall immediately assume management and operation of such hospital or health facility.

Sec. 3. The Secretary of Health, Education, and Welfare is also authorized to make such other regulations as he deems desirable to carry out the provisions of this Act.

Sec. 4. The personnel, property, records, and unexpended balances of appropriations, allocations, and other funds (available or to be made available), which the Director of the Bureau of the Budget shall determine to relate primarily to the functions transferred to the Public Health Service of the Department of Health, Education, and Welfare hereunder, are transferred for use in the administration of the functions so transferred. Any of the personnel transferred pursuant to this Act which the transferee agency shall find to be in excess of the personnel necessary for the administration of the functions transferred to such agency shall be retransferred under existing law to other positions in the Government or separated from the service.

Sec. 5. The Act of April 3, 1952 (66 Stat. 35), and all other laws or parts of laws in conflict herewith, are hereby repealed.

Sec. 6. This Act shall take effect July 1, 1955.

Approved August 5, 1954.

#### AUTHORIZING LANGUAGE

Mr. CHRISTENSEN. There is no limit, I believe, to the authorization. I would like to ask Mr. Doran, who is the budget officer for the Public Health Service, to speak to this point, sir.

Mr. DORAN. Mr. Chairman, in enabling legislation there is no limitation on the amount which may be appropriated, but just such amounts as may be necessary. This legislation is so new that no estimate has been prepared or submitted.

Chairman HAYDEN. I understand that. There is no budget estimate. This is an emergency situation.

I suggest that you place in the record a statement about the various situations which you have outlined. If you will do that, the committee can give consideration to what is required to be done at this time.

Senator CHAVEZ. Including an estimate of how you can relieve this situation such as Laguna.

Chairman HAYDEN. Yes, indicate the amount of money that will be required in each instance where you believe there is an emergency and the committee will consider it.

Mr. CHRISTENSEN. We will do that.

Senator CHAVEZ. I wish you would do this, if you can: If you can have your field service make an investigation of the pueblos, there are 17 of them in New Mexico, because they are all very acute.

Chairman HAYDEN. We thank you for your appearance.

Mr. CHRISTENSEN. Thank you very much, Mr. Chairman.  
(The information referred to follows:)

#### EMERGENCY SITUATIONS—INDIAN DOMESTIC WATER SUPPLIES

##### Phoenix area

Extensive drought, low rainfall, coupled with irrigation water pumpage has caused severe lowering of the ground water table on a number of Southwest Indian reservations resulting in partially or totally depleted domestic water supply sources.

**Papago Reservation, Ariz.**—Twelve wells have gone dry. Entire villages must be temporarily abandoned when distance to a water source becomes excessive. At least five communities are affected.

Emergency correction requires deepening and drilling wells, provision of low pressure distribution lines, watering point and storage facilities, and emergency equipment for hauling water. Estimated cost, \$67,000.

**Pima Reservation, Ariz.**—Two wells at Blackwater are dry but there is water available 2 to 6 miles away at the Indian school from which it must be hauled.

Correction requires development of a well source and storage facilities designed for incorporation into a permanent distribution system at a later date. Estimated cost, \$25,000.

**Salt River Reservation, Ariz.**—Lehi district well has gone dry. Water must be hauled from a remotely located irrigation well and irrigation ditch. More than 100 Indians without transportation must walk more than a mile with water on their backs.

Emergency correction requires temporary pipeline and watering points by connection to adjacent city of Mesa water system, followed by permanent arrangement for reliable supply. Estimated cost, \$13,000.

**Fort McDermitt Reservation, Nev.**—Thirty domestic wells have gone dry. Families are now obtaining water from ditches.

Emergency correction requires deepening wells and provision of well platforms and pumps. Estimated cost, \$15,000.

#### *Albuquerque area*

**Laguna and Acoma Pueblos, N. Mex.**—Inadequate quantity of water available to serve nine communities on these two reservations. Difficult to obtain satisfactory water source.

Initial phase of corrective action requires test drilling and engineering studies in cooperation with U.S. Geological Survey to determine most feasible water supply development. Estimated cost \$40,000.

**Zia Pueblo, N. Mex.**—Community water supply runs so low in summer that rationing is required by 350 Indians.

Corrective action requires an additional well source and connecting pipeline to pueblo distribution system. Estimated cost \$20,000.

#### *Portland area*

**Port Gamble (Little Boston) Wash.**—Old wood stave and metal pipeline of water distribution system leaks badly; it is practically irreparable. Water treatment facility is in need of major repair.

Corrective action includes replacement of line and repair of chlorinator. Estimated cost \$25,000.

#### *Billings subarea*

**Rocky Boys Reservation, Mont.**—One well serving 14 families has caved in. Families live in remote part of the reservation and nearest source of safe water is over a mile away. A spring which serves as domestic water supply for 15 to 20 families has been flooded out. Since no other supply is available, the contaminated source must be used. Diarrhea rate is high.

Corrective action on this reservation requires that wells and pumping equipment be provided. Estimated cost \$2,000.

**Northern Cheyenne Reservation, Mont.**—In Birney Day School District only water source serving 55 homes is drying up. In absence of this supply, unsafe water would be obtained from nearby river.

Corrective action requires development of a larger gravel packed well and installation of storage facilities. Estimated cost \$1,500.

**Wind River Reservation, Wyo.**—In Ethete area, river is only source of supply in this area for approximately 50 families. Because of minimal rainfall, flow in river is extremely low. Quality of river water has greatly deteriorated. Dysentery cases are abnormally high. Fifty new cases were reported in one clinic session, week of August 17, 1959. Forty percent of all clinic cases recorded as dysentery are believed largely attributable to water used.

Emergency correction requires two deep wells and pumping facilities. Estimated cost \$15,000.

**Crow Reservation—Pryor, Mont., arer.**—The water hole supplying needs of approximately 25 families has gone dry. Currently, water is available only from stock water ponds.

Emergency correction requires development of a well and pumping facilities. Estimated cost \$1,500.

*Aberdeen area*

*Cheyenne River Reservation, S. Dak.*—Water shortage at Cherry Creek Community results from high temperature 110° F. and mineral content of available artesian well source. Indians use rivers and stock ponds as sources of untreated water for drinking and cooking. Commercial hauling costs Indians \$1 to \$1.50 per barrel. There has been substantial increase in infectious hepatitis on this reservation during the past 7 months when 22 new cases were reported as compared with only 1 in 1958.

Corrective action requires shallow well development and watering point storage. Estimated cost \$18,000.

*Turtle Mountain Reservation, N. Dak.*—Ten existing wells are inoperative as communal domestic water sources which results in longer hauling distances for Indian families.

Corrective action requires rehabilitation of wells and some pumping equipment. Estimated cost \$4,000.

*Minnesota Chippewa Tribe, Minnesota.*—Some 20 existing community wells are inoperative as sources of domestic water at Grand Portage, Nett Lake, Lac Court Oreilles, Mille Lac, and Granite Falls.

Corrective action requires rehabilitation of wells and some pumping equipment. Estimated cost \$8,000.

## CONTINGENCY FOR FUTURE ACUTE EMERGENCY SITUATIONS IN FISCAL YEAR 1960

It is expected that other acute emergency situations will occur during the year. A nominal sum to alleviate less costly problems of this type is estimated at \$20,000.

Total estimated cost of emergency work, \$275,000.

It should be recognized that emergency corrective action necessarily will require some flexibility in the solution to the above problems. Under these circumstances, the individual problem costs should be taken as rough estimates. To meet the most acute situations the Public Health Service is carrying out temporary emergency procedures within its regular Indian program activities. Examples of assistance given include working with tribes and adjacent communities to arrange for transportation of water, furnishing water disinfection tablets and instructing families in their use, and furnishing technical guidance in methods for permanently alleviating the emergency conditions.

## FEDERAL AVIATION AGENCY

**STATEMENTS OF ELWOOD R. QUESADA, ADMINISTRATOR; A. L. DEAN, ASSISTANT ADMINISTRATOR FOR MANAGEMENT SERVICES; C. H. HARPER, BUDGET OFFICER; D. D. THOMAS, DIRECTOR, BUREAU OF AIR TRAFFIC MANAGEMENT; AND J. H. TIPPETS, ACTING DIRECTOR, BUREAU OF FACILITIES**

### BUDGET ESTIMATE

Chairman HAYDEN. Next are two items for the Federal Aviation Agency, involving a transfer of \$17 million for expenses and increases in travel limitations.

The supplemental estimate and your justification will be placed in the record.

You may proceed with your statement.  
(The justification referred to follows:)

#### SUPPLEMENTAL ESTIMATE IN SENATE DOCUMENT NO. 47

#### "FEDERAL AVIATION AGENCY

#### "EXPENSES

*"For an additional amount for 'Expenses' \$17,000,000, to be derived by transfer from the appropriation for 'Establishment of air navigation facilities', fiscal year 1960; and the limitation under the head 'Expenses' in the Independent Offices Appropriation Act, 1960, on the amount available for expenses of travel is increased from '\$13,500,000' to '\$14,125,000'."*

The 1960 appropriation for this item does not provide adequate funds for operating both existing airways facilities and the new facilities scheduled for installation during the year. These facilities, including large numbers of radars, navigation aids, and other types of electronic equipment, are urgently needed to aid in handling safely and expeditiously the growing volume of air traffic. This proposed transfer is to provide funds to assure that the new facilities will be placed in service promptly as they are installed, and, within available appropriation totals, will provide a better balance between the Agency's operating and new facilities programs.

#### "ESTABLISHMENT OF AIR NAVIGATION FACILITIES

*"Not to exceed \$4,000,000 of the appropriation made available under this head in the Independent Offices Appropriation Act, 1960, shall be available for expenses of travel."*

This proposed provision is to clarify the Agency's authority to incur travel expenses of employees engaged in the procurement and installation of air navigation facilities.

| <i>Expenses</i>                            |                |
|--|----------------|
| Request (for fiscal year 1960).....        | \$17, 000, 000 |
| Regular appropriation estimate, 1960.....  | 301, 700, 000  |
| Supplemental request, 1960.....            | 17, 000, 000   |
| Budget estimate fiscal year 1960.....      | 318, 700, 000  |
| <b>Employment:</b>                         |                |
| Average number, 1960 regular estimate..... | 30, 678        |
| Number involved this estimate.....         | 32, 090        |
| Increase.....                              | 1, 412         |



## PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

The purpose of this transfer authority is to provide funds to commission new air traffic control and navigation facilities as they become available for service and to assure adequate funds for existing facilities and services.

## EXPENSES

For an additional amount for expenses, \$17 million, to be derived by transfer from the appropriation for "Establishment of air navigation facilities," fiscal year 1960, and the limitation under the head "Expenses" in the Independent Offices Appropriation Act 1960 on the amount available for travel expenses is increased from \$13,500,000 to \$14,125,000.

## FEDERAL AVIATION AGENCY EXPENSES

## Program and financing

|  | Presently available, 1960 | Revised estimate, 1960 | Increase, 1960 |
|--|---------------------------|------------------------|----------------|
| Program by activities:   |                           |                        |                |
| 1. Traffic management and facilities maintenance.....                                    | \$267,708,000             | \$284,708,000          | +\$17,000,000  |
| 2. Research direction.....   | 3,517,000                 | 3,517,000              | -----          |
| 3. Flight operations and airworthiness.....  | 25,000,000                | 25,000,000             | -----          |
| 4. Administration of airport program.....  | 5,475,000                 | 5,475,000              | -----          |
| New obligational authority.....  | 301,700,000               | 318,700,000            | +17,000,000    |
| New obligational authority:  |                           |                        |                |
| Appropriation:   |                           |                        |                |
| Transfer from "Establishment of air navigation facilities, Federal Aviation Agency"..... | 301,700,000               | 301,700,000            | -----          |
|  |                           | 17,000,000             | +17,000,000    |
| Appropriation (adjusted).....  | 301,700,000               | 318,700,000            | +17,000,000    |

<sup>1</sup> Amount included in conference report, Independent offices appropriation bill, 1960.

## Object classification

|  | Presently available, 1960 | Revised estimate, 1960 | Increase, 1960 |
|--|---------------------------|------------------------|----------------|
| Total number of permanent positions.....         | 82,161                    | 34,880                 | +2,719         |
| Full-time equivalent of all other positions..... | 202                       | 231                    | +29            |
| Average number of all employees.....             | 30,678                    | 32,000                 | +1,412         |
| Number of employees at end of year.....          | 31,821                    | 34,531                 | +2,710         |
| 01 Personal services:                            |                           |                        |                |
| Permanent positions.....                         | \$196,307,169             | \$204,488,197          | +\$8,181,028   |
| Positions other than permanent.....              | 833,960                   | 908,814                | +72,854        |
| Other personal services.....                     | 15,822,618                | 16,352,485             | +529,870       |
| Total personal services.....                     | 212,963,744               | 221,747,496            | +8,783,752     |
| 02 Travel.....                                   | 13,500,000                | 14,125,000             | +625,000       |
| 03 Transportation of things.....                 | 2,651,973                 | 2,855,582              | +203,609       |
| 04 Communication services.....                   | 18,149,358                | 20,787,448             | +2,638,090     |
| 05 Rents and utility services.....               | 11,491,844                | 13,621,515             | +2,032,671     |
| 06 Printing and reproduction.....                | 574,658                   | 683,658                | +11,000        |
| 07 Other contractual services.....               | 7,428,805                 | 7,599,799              | +170,994       |
| Services performed by other agencies.....        | 819,473                   | 819,473                | -----          |
| 08 Supplies and materials.....                   | 16,818,673                | 18,618,281             | +1,799,608     |
| 09 Equipment.....                                | 4,880,622                 | 5,065,780              | +185,158       |
| 11 Grants, subsidies, and contributions.....     | 12,790,455                | 13,341,153             | +550,698       |
| 15 Taxes and assessments.....                    | 67,835                    | 67,835                 | -----          |
| Subtotal.....                                    | 302,137,440               | 319,138,020            | +17,000,580    |
| Deduct quarters and subsistence charges.....     | 437,440                   | 438,020                | +580           |
| Total obligations.....                           | 301,700,000               | 318,708,000            | +17,000,000    |
| Average GS grade and salary.....                 | 8.6 \$5,818               | 8.9 \$6,520            | 9.1 \$6,617    |
| Average salary of ungraded positions.....        | 5,247                     | 6,456                  | 5,264          |

## GENERAL JUSTIFICATION

For the "Expenses" appropriation that finances the operation and maintenance costs of all facilities the Congress approved \$301.7 million or about \$23 million less than was requested. This amount is \$6 million less than required for continuing services in being on June 30, 1959 and mandatory increased workload of the Agency, and provides no funds for new facilities and services.

To alleviate this situation it is recommended that \$17 million be transferred from the "Establishment of air navigation facilities" appropriation to the "Expenses" appropriation. The "Establishment of air navigation facilities" appropriation of \$135.2 million authorized by the Congress for 1960 will only finance the most urgently needed items of construction. The proposed transfer will eliminate the construction of important facilities. It is, however, more important to achieve a balanced program by providing the necessary funds to operate facilities already authorized rather than construct additional facilities.

It is not practical to provide for the additional requirements of the Agency within the regular \$301.7 million appropriation as to do so would require the curtailment and discontinuance of many facilities now in operation having a higher priority of need in the nationwide system of air traffic control and air navigation than new facilities and services. The greater portion of the facilities now in being render a basic aeronautical service to several hundred communities throughout the country which should not be impaired or curtailed to provide new or improved facilities and services, notwithstanding their importance.

The facilities included in this estimate were authorized for establishment in 1959 and prior "Establishment of air navigation facilities" appropriations. Equipment procurement, construction, and installation are well underway with completion of the authorized facilities scheduled throughout the current fiscal year. They are an essential part of the program started in fiscal year 1957 to modernize and improve the Nation's airways. To delay the services and added safety to aviation that can be provided through these facilities, by leaving them idle once they are constructed at a substantial cost, defeats the very purpose for which they were constructed.

The travel cost of commissioning new facilities during the 1960 fiscal year is estimated to be \$625,000. The travel limitation for the "Expenses" appropriation as approved by the Congress is \$13.5 million. This entire amount is needed to carry out the program already approved. The travel requirements of FAA are primarily for the technical training of new employees and job performance travel of engineers and maintenance personnel, which cannot be reduced without curtailing the program. Therefore, an increase in the travel limitation for the "Expenses" appropriation from \$13.5 million to \$14,125,000 is requested.

*1960 regular appropriation adjusted to supplemental estimate*

|  | Permanent positions | Total man-years | Amount        |
|--|---------------------|-----------------|---------------|
| 1960 regular appropriation.....                        | 32,161              | 30,678          | \$301,700,000 |
| Supplemental estimate.....                             | 2,719               | 1,412           | 17,000,000    |
| Total 1960 regular appropriation and supplemental..... | 34,880              | 32,090          | 318,700,000   |

## NEW FACILITIES AND RELATED REQUIREMENTS

*Air route traffic control center and long range radar.*—These facilities are utilized in the control of en route air traffic over extensive geographical areas. The long range radar provides positive control by displaying the position of aircraft. The following additional facilities have been provided for in this supplemental estimate:

|  | Number | Average months |
|--|--------|----------------|
| Long range radar.....                              | 17     | 6              |
| ATC radar beacon.....                              | 19     | 9              |
| Air traffic control center.....                    | 1      | 3              |
| Center air/ground peripheral communications.....   | 51     | 7              |
| Air/ground communication receiver/transmitter..... | 4      | 6              |
| ATC center relocation, rents and utilities.....    | 5      | 7              |

*Airport traffic control towers and terminal area radar.*—These facilities provide the means of controlling traffic on and around airports. Terminal area radar aids this control by displaying the position of aircraft around the airport. Facilities being added in 1960 are as follows:

|   | Number | Average months |
|---|--------|----------------|
| Airport traffic control service.....  | 14     | 7              |
| Tower resulting from separation of combined station and tower.....                  | 20     | 6              |
| Airport surveillance radar.....   | 2      | 9              |
| Precision approach radar.....   | 12     | 7              |
| Assumption of military approach control (maintenance of 7 for 8-month average)..... | 5      | 8              |
| Air and ground communication receiver and transmitter.....                          | 29     | 8              |
| UHF and VHF direction finder equipment.....   | 19     | 12             |
| ATC radar training simulators.....  | 52     | 9              |

*Air traffic communications stations.*—These stations relay air traffic control information and provide other flight assistance to pilots. New facilities in 1960 are as follows:

|  | Number | Average months |
|--|--------|----------------|
| Station resulting from separation of combined station and tower..... | 10     | 6              |
| Remote communications outlet.....                                    | 22     | 7              |
| Air and ground communication receiver and transmitter.....           | 2      | 6              |
| Fully automatic teletype relay system.....                           | (1)    | 10             |

<sup>1</sup> 1 location.

*Air navigation facilities (VORTAC).*—VORTAC is a short-range navigation system which defines the location of the principal airways and furnishes pilots distance and direction from ground stations. The 1960 estimate includes the following new facilities:

|   | Number | Average months |
|---|--------|----------------|
| TACAN distance equipment.....           | 109    | 5              |
| VHF omnidirectional radio range.....    | 57     | 7              |
| VHF omnidirectional test equipment..... | 34     | 6              |

*Instrument landing systems.*—The instrument landing system provides pilots with direction, distance, and glide slope information necessary for making an approach to a runway under conditions of poor visibility. Twenty-four additional facilities are being added in 1960 for an average of 5 months.

*Approach lighting.*—Each of these lighting systems is a row of lights extending outward from a runway to aid pilots during landings. Facilities being added in 1960 are as follows:

|  | Number | Average months |
|--|--------|----------------|
| Additional standard approach light systems.....    | 31     | 9              |
| Conversion to standard approach light systems..... | 13     | 9              |
| Sequence flashing lights.....                      | 22     | 5              |

*Air navigation facilities (L/MF and markers).—*These facilities provide pilots with direction information and define the location of low frequency-airways. Additional facilities in 1960 are as follows:

|                             | Number | Average months |
|-----------------------------|--------|----------------|
| Consolan.....               | 1      | 3              |
| Radio homing beacon.....    | 5      | 7              |
| L/MF radio range, loop..... | 1      | 12             |
| Fan marker.....             | 6      | 5              |

*Housing and miscellaneous.—*This item covers principally the maintenance of 84 living quarters in remote locations constructed under the establishment program, and crash rescue and firefighting services and equipment for remote locations in Alaska and the Pacific.

*Interphone and teletypewriter communications services.—*These services provide a nationwide network of communications circuits used to relay air traffic control information and for transmission of aviation weather data and reports. The additional requirements in 1960 are as follows:

|   | Miles  | Average months |
|---|--------|----------------|
| Interphone:   |        |                |
| Increased mileage.....  | 27,984 | 7              |
| Rearrangement, modernization, and expansion.....  |        | 7              |
| Flight assistance service.....  | 1,314  | 7              |
| SS-1 2-digit dialing signaling system.....  |        | 7              |
| Installation cost, relocate Honolulu tower and station.....   |        |                |
| Teletypewriter:   |        |                |
| Service A, B, C, and O increased speed.....   |        | 6              |
| Service A general improvement—express circuit, supervisory circuit, rearrangement of area circuits..... | 7,148  | 6              |
| Service B parallel center circuit.....  | 3,500  | 9              |
| Service B extend international circuit.....   | 678    | 9              |
| Service B extend area circuits to military bases.....   | 1,000  | 9              |
| Service O synoptic weather circuit.....   | 3,863  | 10             |

*Increased interphone mileage.—*This requirement covers additional circuitry needed to provide more expeditious interfacility coordination of aircraft under radar control generally and as required due to radar handoffs for civilian and military jet operations, and to reduce delays during peak periods as well as to keep pace with the overall increases in air traffic activity. Included are 16,423 miles for direct intercenter communications; 6,409 miles for center en route control, and 5,152 miles for tower en route control.

*Rearrangement, modernization, and expansion of terminal interphone equipment.—*Modernization and expansion of equipment is required to install new PBX (unattended telephone exchange) systems, terminal equipment to accommodate new signaling system, terminate additional circuits, and to keep pace with the general advances in equipment design and engineering. Rearrangement of equipment is necessitated generally due to facility relocations, combinations or separations and expansions.

*Flight assistance services.—*A program of preflight assistance service (pilot briefing and flight plan filing) by means of an interphone line between FAA facilities and adjacent localities was established in 1959. This increase would provide the service at 66 additional locations where 50 or more active aircraft are based at adjacent airports.

*SS-1 two-digit dialing signalling system.—*This item replaces obsolete types of code and voice signaling arrangements between centers and other facilities with the newly developed SS-1 type two-digit dialing signaling system which greatly improves operating efficiency by reducing the critical time element in handling interfacility communications.

*Installation cost, relocate Honolulu tower and station.—*These facilities are scheduled for relocation to a new terminal building requiring the relocation of interphone facilities.

*Teletypewriter services A, B, C, and O increased speed.—*This item covers the cost of increasing the speed at which all teletypewriter equipment will operate,

from 75 to 100 words per minute; thus meeting the need for more rapid transmission of aircraft flight progress reports and weather information.

*Teletypewriter service "A" general improvement.*—Three basic improvements to the service A weather network are provided by this item: (1) Establishment of a 600 word per minute cross-country express circuit connecting New York, Washington, Cleveland, Atlanta, New Orleans, Chicago, Kansas City, Fort Worth, Denver, Salt Lake City, and San Francisco; (2) a supervisory or backup circuit to the above which will operate at 100 or 600 words per minute; and (3) rearrangement of the area weather circuits and an increase in the number of areas from 12 to 15. All three of these improvements will provide faster and more accurate distribution of weather information for air traffic management purposes.

*Teletypewriter service "B" parallel center circuit.*—This item covers the cost of leasing lines for the proposed new eastern center B circuit which will parallel the eastern portion of the present center B circuit. The 12 centers (Chicago eastward) handle about 72 percent of the IFR peak-day traffic. This new circuit would be a supplement to the service B system now in operation and would provide a duplex type operation for flight messages.

*Teletypewriter service B, extend international circuit.*—In view of the pending discontinuance of a radio teleprinter circuit between Anchorage and San Francisco, it will be necessary to extend an international B circuit from San Francisco to Seattle.

*Teletypewriter service B, extend to military bases.*—The purpose of extending the area B circuits to military bases is to collect military IFR flight plans. Such extensions would originate from the nearest air traffic communication station and terminate in the military operations offices. About 45 locations are involved.

*Teletypewriter service O, synoptic weather circuit.*—This item provides a 100 word per minute circuit connecting the international air traffic communications stations at San Francisco, New York, and Miami for the exchange of synoptic (upper-air) weather information through the World Meteorological Organization.

*Advance recruitment for 1961 new facilities.*—This item provides for the recruitment of personnel in the latter part of 1960 to operate and maintain new facilities scheduled to be placed in service early in 1961. An average of 2 months has been provided for 817 positions for the following facilities:

| Type of facility:                               | Number of facilities |
|---|----------------------|
| Long-range radar.....                           | 3                    |
| Airport surveillance radar.....                 | 21                   |
| Air traffic control radar beacon.....           | 3                    |
| Air route traffic control center computers..... | 4                    |
| Airport surface detection equipment.....        | 5                    |
| TACAN distance equipment.....                   | 82                   |
| VHF omnidirectional radio range.....            | 22                   |
| Instrument landing system.....                  | 9                    |

*Technical training, maintenance.*—Expansion of the maintenance training program will be necessary in 1960 to provide qualified personnel required in the maintenance of air navigation facilities. The courses involving additional students in 1960 are tabulated below, together with the June 30, 1959, program level. The communications equipment course is being modified to include a requirement for multichannel recorder and tone-channeling equipment instruction. Teletype equipment instruction (electrical) is being removed from the communications equipment course and combined with the teletype mechanical course to meet the need for this type of training. A pre-VOR course is planned to prepare new and less experienced technicians for the regular VOR course. Also an increase in the capacity of the TACAN course is needed to meet the need for trained technicians for TACAN facilities. The total program requires an increase of 126 positions for instructor staffs and related technical services and administrative workload at the Aeronautical Center for the new and modified courses mentioned above and to continue the current level of instruction in other areas. The overall training program requires an increase of 205 positions to provide relief for maintenance technicians while attending centralized courses at the Aeronautical Center. In addition, funds are requested for 200 trainee positions to provide a reservoir of

employees who can obtain training and experience thereby permitting them to qualify and be placed into a working position without delay when a vacancy occurs.

| Course        | June 30, 1959,<br>student<br>capacity | Additional<br>students,<br>1960 | Total<br>students,<br>1960 |
|---------------|---------------------------------------|---------------------------------|----------------------------|
| TACAN.....    | 404                                   | 48                              | 512                        |
| Pro-VOR.....  |                                       | 209                             | 209                        |
| Teletype..... | 48                                    | 200                             | 218                        |

#### "ESTABLISHMENT OF AIR NAVIGATION FACILITIES"

*"Not to exceed \$4,000,000 of the appropriation made under this head in the Independent Offices Appropriation Act, 1960, shall be available for expenses of travel."*

#### EXPLANATION OF LANGUAGE CHANGE

This proposed change is required to clarify the language for this appropriation contained in the Independent Offices Appropriation Act, 1960, and does not constitute a request for increased appropriations. The requirement of funds for travel, in executing the Agency's program for establishment of air navigation facilities is inherent in the nature of the work to be accomplished. The major portion of the funds used for travel is needed to defray the cost of per diem and transportation expenses of engineers and field construction crews engaged in the day-to-day effort of establishing the air navigation aids which comprise our Federal airways system.

It has been our practice for many years to budget for and justify our requirements under this appropriation on a project basis. Under this system we also adopted the procedure of reflecting relatively few object classes of expenditure. In the instance of travel, costs of this nature were charged to specific projects and, further, treated and identified as costs of construction and equipment in lieu of being identified as travel. Our estimate for the current fiscal year 1960 was prepared on a similar basis and therefore does not specifically identify an amount as a travel requirement.

Section 102 of H.R. 7040, 86th Congress, reads in pertinent part as follows:

*"Where appropriations in this title are expendable for travel expenses of employees and no specific limitation has been placed thereon, the expenditures for such travel expenses may not exceed the amount set forth therefor in the budget estimates submitted for the appropriations \* \* \*."*

In view of this general provision and the fact that we do not have an amount specifically set forth as travel cost related to this program, we have been advised by the General Accounting Office to seek clarification of the appropriation language as it pertains to this item of expense.

## Program and financing

|  | Presently available, 1960 | Revised estimate, 1960 | Increase (+) or decrease (-), 1960 |
|--|---------------------------|------------------------|------------------------------------|
| <b>Program by activities:</b>                              |                           |                        |                                    |
| 1. Air navigation facilities:                              |                           |                        |                                    |
| (a) VORTAC.....  | \$10,305,000              | \$17,650,000           | -\$1,655,000                       |
| (b) Low/medium frequency and markers.....                  | 700,000                   | 700,000                |                                    |
| (c) Instrument landing systems.....                        | 4,800,000                 | 4,647,000              | -253,000                           |
| (d) Approach lighting.....                                 | 8,500,000                 | 8,593,000              | -93,000                            |
| (e) Intermediate fields and beacons.....                   | 1,500,000                 | 1,500,000              |                                    |
| 2. En route traffic control aids:                          |                           |                        |                                    |
| (a) Long-range radar.....                                  | 37,700,000                | 31,721,000             | -5,979,000                         |
| (b) Air route traffic control centers.....                 | 20,600,000                | 20,600,000             |                                    |
| (c) Air traffic communications stations.....               | 8,700,000                 | 8,535,000              | -165,000                           |
| (d) International air traffic communications stations..... | 3,200,000                 | 3,200,000              |                                    |
| 3. Terminal traffic control aids:                          |                           |                        |                                    |
| (a) Airport traffic control towers.....                    | 7,500,000                 | 6,915,000              | -585,000                           |
| (b) Terminal area radar.....                               | 13,100,000                | 12,192,000             | -908,000                           |
| 4. Supporting facilities:                                  |                           |                        |                                    |
| (a) Flight inspection and logistics aircraft.....          | 8,830,000                 | 7,990,000              | -840,000                           |
| (b) Housing, utilities, and miscellaneous facilities.....  | 3,865,000                 | 3,865,000              |                                    |
| Total obligations.....                                     | 138,000,000               | 125,000,000            | -11,000,000                        |
| <b>Financing:</b>  |                           |                        |                                    |
| Unobligated balance brought forward.....                   | -74,906,031               | -74,906,031            |                                    |
| Unobligated balance carried forward.....                   | 74,106,031                | 68,106,031             | -6,000,000                         |
| New obligational authority.....                            | 138,200,000               | 118,200,000            | -17,000,000                        |
| <b>New obligational authority:</b>                         |                           |                        |                                    |
| Appropriation <sup>1</sup> .....                           | 135,200,000               | 135,200,000            |                                    |
| Transfer to "Expenses, Federal Aviation Agency".....       |                           | -17,000,000            | -17,000,000                        |
| Appropriation (adjusted).....                              | 135,200,000               | 118,200,000            | -17,000,000                        |

<sup>1</sup> Amount included in conference report, Independent offices appropriation bill, 1960.

## Object classification

|  | Presently available, 1960 | Revised estimate, 1960 | Increase (+) or decrease (-), 1960 |
|--|---------------------------|------------------------|------------------------------------|
| Total number of permanent positions.....         | 1,636                     | 1,610                  | -26                                |
| Full-time equivalent of all other positions..... | 130                       | 130                    |                                    |
| Average number of all employees.....             | 1,392                     | 1,368                  | -24                                |
| Number of employees at end of year.....          | 1,626                     | 1,600                  | -26                                |
| 01 Personal services:                            |                           |                        |                                    |
| Permanent positions.....                         | \$7,447,289               | \$7,304,200            | -\$143,089                         |
| Positions other than permanent.....              | 698,498                   | 698,498                |                                    |
| Other personal services.....                     | 543,814                   | 533,470                | -10,344                            |
| Total personal services.....                     | 8,689,601                 | 8,536,168              | -153,433                           |
| 02 Travel.....                                   |                           | 4,000,000              | +4,000,000                         |
| 07 Other contractual services.....               | 1,392,360                 | 1,392,360              |                                    |
| 09 Equipment.....                                | 87,200,000                | 78,000,000             | -9,200,000                         |
| 10 Lands and structures.....                     | 38,210,609                | 32,572,303             | -5,638,306                         |
| 11 Grants, subsidies, and contributions.....     | 482,552                   | 474,773                | -7,779                             |
| 15 Taxes and assessments.....                    | 24,878                    | 24,396                 | -482                               |
| Total obligations.....                           | 138,000,000               | 125,000,000            | -11,000,000                        |
| Average GS grade and salary.....                 | 7.9 5,381                 | 8.1 6,088              | 8.1 6,085                          |
| Average salary of ungraded positions.....        | 4,756                     | 4,693                  | 4,700                              |

## REQUEST FOR TRANSFER OF FUNDS

Mr. QUESADA. I have a short statement which might bring our problem in sharp focus and will be of interest to the committee.

I am appearing before you today not to request additional funds for the Federal Aviation Agency, but, rather to urge your approval of several changes in the language of the independent offices appropria-

tion bill for 1960, which are essential if we are to use our appropriations most effectively:

1. There is a need to transfer \$17 million from the establishment of air navigation facilities appropriation to the expenses appropriation to assure effective operation of existing facilities and operation of new facilities as they are ready for service.

2. There is a related requirement to increase the travel limitation in the expenses appropriation from 13.5 million to \$14,125,000.

3. Clarifying language for the establishment of air navigation facilities appropriation is being requested to permit the continued expenditure of funds for essential travel which is needed to accomplish this program.

I have carefully reviewed the effects on the programs of the Federal Aviation Agency of the reductions made by the Congress in the estimates transmitted by the President for the 1960 fiscal year.

I have given particular attention to the requirements for the operation and maintenance of air traffic management and air navigation facilities, which are financed by the expenses appropriation.

It is clear to us that the \$301.7 million approved by the Congress for this appropriation will not provide sufficient funds to adequately maintain existing facilities and at the same time commission new equipments as they will be ready for service during 1960.

Senator SALTONSTALL. General Quesada, will you permit an interruption?

Mr. QUESADA. Yes, sir.

Senator SALTONSTALL. There are two—I have the budget bill before me—expenses and establishment of air navigation facilities. The Senate gave you what you wanted pretty near and in conference it was cut down.

What you are doing is taking \$21 million out of the account establishment of air navigation facilities and putting it over into your expenses in order to operate existing facilities or those facilities that are now being built; is that correct?

Mr. QUESADA. That is absolutely correct. Seventeen million dollars, however.

Senator SALTONSTALL. \$17 million plus \$4 million more for expenses of travel and so forth?

Mr. HARPER. No, sir; the \$4 million is a travel limitation within the establishment appropriation. It is not a transfer to the expenses appropriation.

Senator SALTONSTALL. So that is confined to handling the \$315,200,000?

Mr. HARPER. Yes, sir.

#### EFFECTS OF TRANSFER

Senator SALTONSTALL. In doing that you are knocking out the establishment of a number of new authorizations for which we thought there were appropriations.

Am I not correct in that?

Mr. QUESADA. By transferring the funds from the establishment of air navigation facilities to the operating appropriation we will be delaying the acquisition of certain new equipment.

Senator SALTONSTALL. And eight of those are in Massachusetts, that is why I am rather interested.



Senator MAGNUSON. Senator Saltonstall, in our committee hearing they asked for restoration from the House figure of \$41,700,000 which would take care of this program.

Mr. QUESADA. Which would have taken care of it.

Senator MAGNUSON. Would have taken care of it. Now, the conference gave \$18,500,000. Now the transfer of the \$17 million will put it back in, put it in such shape that the general can take care of these items that were all listed in the hearings.

Mr. QUESADA. All those items that were listed.

Senator MAGNUSON. Either existing facilities or facilities under contract, or facilities to be bought to get the program going.

Mr. QUESADA. It would permit us to operate and man facilities that will come in being. Appropriations to construct these facilities have been authorized by prior congresses.

Otherwise, they would remain idle.

#### REQUEST FOR REVISED LIST OF FACILITIES

Senator MAGNUSON. Now, I think what you should do because this will be a separate hearing, is furnish a record of the revised list of the facilities to be operated, showing which facilities you contemplate can be operated under the restoration, if the \$17 million is restored, and which facilities cannot be operated unless the transfer is approved.

Mr. QUESADA. We can do that very easily.

Senator SALTONSTALL. And one more thing: The facilities that are authorized that were going to be built under the establishment of air navigation facilities that have had to be eliminated.

Mr. QUESADA. We will be glad to do that, too.

(The information referred to follows:)

#### NEW FACILITIES THAT WILL BE COMMISSIONED IF \$17 MILLION TRANSFER FROM ESTABLISHMENT OF AIR NAVIGATION FACILITIES APPROPRIATION IS APPROVED

##### AIR ROUTE TRAFFIC CONTROL CENTERS AND LONG RANGE RADAR

###### *Long range radar (17)*

|                      |                         |                     |
|----------------------|-------------------------|---------------------|
| Montauk (L.I.), N.Y. | Orlando, Fla.           | Las Vegas, Nev.     |
| Roanoke, Va.         | Pensacola, Fla.         | Needles, Calif.     |
| El Paso, Tex.        | Texarkana, Ark.         | Paso Robles, Calif. |
| Houston, Tex.        | LaGrange (Goshen), Ind. | Salem, Oreg.        |
| Jackson, Miss.       | Fresno, Calif.          | Sacramento, Calif.  |
| Nashville, Tenn.     | Klamath Falls, Oreg.    |                     |

###### *ATC radar beacons (19)*

|                 |                    |                      |
|-----------------|--------------------|----------------------|
| Buffalo, N.Y.   | Jackson, Miss.     | Klamath Falls, Oreg. |
| London, Ohio    | Montgomery, Ala.   | Las Vegas, Nev.      |
| Montauk, N.Y.   | Pensacola, Fla.    | Meserica, N. Mex.    |
| Pittsburgh, Pa. | Texarkana, Ark.    | Phoenix, Ariz.       |
| Roanoke, Va.    | Minneapolis, Minn. | Sacramento, Calif.   |
| Benson, N.C.    | Fresno, Calif.     | Salem, Oreg.         |
| El Paso, Tex.   |                    |                      |

*Air traffic control center (1)*

Balboa, C. Z.

*Center air/ground peripheral communications (51)*

|                      |                      |                      |
|----------------------|----------------------|----------------------|
| Abilene, Tex.        | Douglas, Wyo.        | Tucumcari, N. Mex.   |
| Atlanta, Ga.         | Dubois, Wyo.         | Twin Falls, Idaho    |
| Augusta, Ga.         | Fort Bridger, Wyo.   | Ukiah, Calif.        |
| Bristol, Tenn.       | Helena, Mont. (Town- | Winnemucca, Nev.     |
| Brownsville, Tex.    | send)                | Bethel, Alaska       |
| Corpus Christi, Tex. | La Junta, Colo.      | Bettles, Alaska      |
| Fort Smith, Ark.     | Lewistown, Mont.     | Fort Yukon, Alaska   |
| Gainesville, Fla.    | Livingston, Mont.    | Galena, Alaska       |
| Greensboro, N.C.     | Needles, Calif.      | Juneau, Alaska       |
| Guthrie, Tex.        | Pendleton, Oreg.     | King Salmon, Alaska  |
| Hugo, Okla.          | Ponca City, Okla.    | Nome, Alaska         |
| Odessa, Tex.         | Portland, Oreg.      | Point Barrow, Alaska |
| Ponca City, Okla.    | Pyramid Lake, Nev.   | Talkneetna, Alaska   |
| Spartanburg, S.C.    | Raton, N. Mex.       | Umiat, Alaska        |
| Valdosta, Ga. (Moody | Rawlins, Wyo.        | Woody Island, Alaska |
| AFB)                 | Sheridan, Wyo. (2)   | Yakutat, Alaska      |
| Akron, Colo.         | Texico, Tucumcari,   | McGrath, Alaska      |
| Bellingham, Wash.    | N. Mex.              |                      |
| Delta, Utah          |                      |                      |

*Air/ground communication receiver/transmitters\* (4)*

|                   |                        |
|-------------------|------------------------|
| Cleveland, Ohio   | Chicago (Midway), Ill. |
| San Antonio, Tex. | Spokane, Wash.         |

*ATC center relocation, rents and utilities (5)*

|                    |                    |
|--------------------|--------------------|
| Cleveland, Ohio    | Indianapolis, Ind. |
| Atlanta, Ga.       | Oakland, Calif.    |
| Jacksonville, Fla. |                    |

## AIRPORT TRAFFIC CONTROL TOWERS AND TERMINAL AREA RADAR

*Airport traffic control service (11)*

|                      |                 |                        |
|----------------------|-----------------|------------------------|
| Atlantic City, N.J.  | Champaign, Ill. | Oxnard-Ventura, Calif. |
| Huntington, W. Va.   | Lincoln, Nebr.  | Santa Ana, Calif.      |
| Williamsport, Pa.    | Concord, Calif. | Spokane, Wash.         |
| Oklahoma City, Okla. | Ogden, Utah     |                        |

*Tower resulting from separation of combined station/tower (20)*

|                  |                      |                   |
|------------------|----------------------|-------------------|
| Baltimore, Md.   | Bristol, Tenn.       | Little Rock, Ark. |
| Binghamton, N.Y. | Charlotte, N.C.      | Midland, Tex.     |
| Burlington, Vt.  | Chattanooga, Tenn.   | Tampa, Fla.       |
| Norfolk, Va.     | Columbia, S.C.       | Savannah, Ga.     |
| Rochester, N.Y.  | Corpus Christi, Tex. | Fort Wayne, Ind.  |
| Syracuse, N.Y.   | Greensboro, N.C.     | Boise, Idaho      |
| Toledo, Ohio     | Greenville, S.C.     |                   |

*Airport surveillance radar (2)*

|                     |
|---------------------|
| Atlantic City, N.J. |
| Little Rock, Ark.   |

*Precision approach radar (12)*

|                     |                    |                       |
|---------------------|--------------------|-----------------------|
| Atlantic City, N.J. | Detroit, Mich.     | Oakland, Calif.       |
| Pittsburgh, Pa.     | Indianapolis, Ind. | Portland, Oreg.       |
| Dallas, Tex.        | Kansas City, Mo.   | San Francisco, Calif. |
| Houston, Tex.       | St. Louis, Mo.     | Seattle, Wash.        |

*Military approach control*

## Operations (5)

Beaufort, Morehead, N.C.  
Dyess, Abilene, Tex.  
Robbins, Macon, Ga.

Lincoln, AFB, Nebr.  
Mather, Sacramento, Calif.

## Maintenance (7)

Beaufort, Morehead, N.C.  
Dyess, Abilene, Tex.  
Moody, Valdosta, Ga.  
Perrin, Sherman, Tex.

Robbins, Macon, Ga.  
Lincoln AFB, Nebr.  
Mather, Sacramento, Calif.

*Air/ground communications receiver/transmitter (20)*

Atlantic City, N.J.  
Cleveland, Ohio  
Huntington, W. Va.  
Trenton, N.J.  
Williamsport, Pa.  
Hot Springs, Ark.  
Key West, Fla.  
Oklahoma City, Okla.  
Plainview, Tex.  
Sarasota, Fla.

Wichita Falls, Tex.  
Cedar Rapids, Iowa  
Champaign, Ill.  
Green Bay, Wis.  
Kalamazoo, Mich.  
Lincoln, Nebr.  
Milwaukee, Wis.  
Oshkosh, Wis.  
Concord, Calif.  
Fresno, Calif.

Fullerton, Calif.  
Grand Junction, Colo.  
Ogden, Utah  
Oxnard-Ventura, Calif.  
Roswell, N. Mex.  
Santa Ana, Calif.  
Santa Rosa, Calif.  
Spokane, Wash.  
Torrance, Calif.

*ATC radar training simulators (52)*

## En route facilities (10)

Cleveland, Ohio  
Washington, D.C.  
Atlanta, Ga.  
Fort Worth, Tex.

Jacksonville, Fla.  
Memphis, Tenn.  
Miami, Fla.

Detroit, Mich.  
Kansas City, Mo.  
Oakland, Calif.

## Terminal facilities (42)

Baltimore (Friendship), Md.  
Boston, Mass.  
Cincinnati (Grater), Ohio  
Cleveland, Ohio  
Columbus, Ohio  
Dayton, Ohio  
Louisville (Standiford), Ky.  
New York (Idlewild), N.Y.  
New York (La Guardia), N.Y.  
Newark, N.J.  
Philadelphia, Pa.  
Pittsburgh, Pa.  
Washington, D.C.  
Atlanta, Ga.  
Dallas, Tex.  
Houston, Tex.  
Jacksonville, Fla.  
Miami, Fla.  
Montgomery, Ala.  
Nashville, Tenn.  
New Orleans, La.

Tampa, Fla.  
Waco, Tex.  
Chicago (Midway), Ill.  
Chicago (O'Hare), Ill.  
Detroit (Willow Run), Mich.  
Kansas City, Mo.  
Minneapolis, Minn.  
Omaha, Nebr.  
St. Louis, Mo.  
Wichita, Kans.  
Albuquerque, N. Mex.  
Denver, Colo.  
Los Angeles, Calif.  
Oakland, Calif.  
Portland, Oreg.  
Riverside (March RAPCON), Calif.  
San Diego, Calif.  
San Francisco, Calif.  
Seattle (Tacoma), Wash.  
Tacoma (McChord RAPCON), Wash.  
Honolulu, Hawaii

## AIR TRAFFIC COMMUNICATIONS STATIONS

*Station resulting from separation of combined station tower (10)*

Norfolk, Va.  
Bristol, Tenn.  
Chattanooga, Tenn.  
Columbia, S.C.

Greensboro, N.C.  
Midland, Tex.  
Savannah, Ga.

Tampa, Fla.  
Fort Wayne, Ind.  
Boise, Idaho

*Remote communications outlet (22)*

|                  |                      |                   |
|------------------|----------------------|-------------------|
| Baltimore, Md.   | Corpus Christi, Tex. | Columbus, N. Mex. |
| Binghamton, N.Y. | Flippin, Ark.        | Douglas, Wyo.     |
| Burlington, Vt.  | Greenville, S.C.     | Ellensburg, Wash. |
| Pulaski, Va.     | Laredo, Tex.         | Gooding, Idaho    |
| Rochester, N.Y.  | Little Rock, Ark.    | Whitehall, Mont.  |
| Syracuse, N.Y.   | Marianna, Fla.       | Winnemucca, Nev.  |
| Toledo, Ohio     | Kokomo, Ind.         | Zuni, N. Mex.     |
| Charlotte, N.C.  |                      |                   |

*Stations relocated (6)*

|                                       |  |
|---------------------------------------|--|
| Pulaski, Va., to Bluefield, W. Va.    | Douglas, Wyo., to Worland, Wyo.        |
| Flippin, Ark., to Harrison, Ark.      | Ellensburg, Wash., to Wenatchee, Wash. |
| Columbus, N. Mex., to Deming, N. Mex. | Zuni, N. Mex., to Gallup, N. Mex.      |

*Air ground communication receiver/transmitter (2)*

Long Beach, Calif.

Santa Barbara, Calif.

*Fully automatic teletype relay system (1)*

Honolulu, Oahu, Hawaii.

## AIR NAVIGATION FACILITIES (VORTAC)

*TACAN distance equipment (109)*

|                            |                               |                        |
|----------------------------|-------------------------------|------------------------|
| Akron (Wellington), Ohio   | Baton Rouge, La.              | Minneapolis, Minn.     |
| Atlantic City, N.J.        | Big Springs, Tex.             | Naperville, Ill.       |
| Attica, Ohio               | Bristol (Tri-City), Tenn.     | Nadine, Minn.          |
| Blackford, Va.             | Columbia, S.C.                | Rochester, Minn.       |
| Bradford, Pa.              | Columbus, Miss.               | Sioux City, Iowa       |
| Brushy Run, W. Va.         | El Dorado, Ark.               | Smithwick, S. Dak.     |
| Cameron, Pa.               | El Paso, Tex.                 | Westpoint, Ind.        |
| Central City, Ky.          | Fayetteville, Ark.            | Winner, S. Dak.        |
| Colts Neck, N.J.           | Kingfisher, Okla.             | Wolbach, Nebr.         |
| Cornwall, N.Y.             | Longview (Gregg County), Tex. | Alamosa, Colo.         |
| Craigsville, Va.           | McDonough, Ga.                | Arlington, Calif.      |
| Elmira, N.Y.               | Mobile, Ala.                  | Billings, Mont.        |
| Findlay, Ohio              | Muscle Shoals, Ala.           | Blythe, Calif.         |
| Franklin, Va.              | Orlando, Fla.                 | Bonneville, Utah       |
| Garrett, Pa.               | Raleigh, N.C.                 | Cherokee, Wyo.         |
| Hartford, Conn.            | Rock Springs, Tex.            | Cochise, Ariz.         |
| Johnstown, Pa.             | Savannah, Ga.                 | Dunoir, Wyo.           |
| Linden, Va.                | Spartansburg, S.C.            | El Centro, Calif.      |
| Nantucket, Mass.           | Sulphur Springs, Tex.         | Fresno, Calif.         |
| New Haven, Conn.           | Toccoa, Ga.                   | Gaviota, Calif.        |
| Presque Isle, Maine        | Tallahassee, Fla.             | Gila Bend, Ariz.       |
| Robbinsville, N.J.         | Tuscaloosa, Ala.              | Gunniston, Colo.       |
| St. Thomas, Pa.            | Tuskegee, Ala.                | Hermosa, Calif.        |
| Patuxent, Md.              | Vienna, Ga.                   | Monterey, Calif.       |
| Pulaski, Va.               | Columbia, Mo.                 | Newberg, Oreg.         |
| Thornhurst (Caldwell), Pa. | Dupree, S. Dak.               | Olympia, Wash.         |
| Tidioute, Pa.              | Grand Island, Nebr.           | Optario, Calif.        |
| Tower City, Pa.            | Huron, S. Dak.                | Tobe, Colo.            |
| Tyrone, Pa.                | Iowa City, Iowa               | Ukiah, Calif.          |
| Washington, D.C.           | Knox, Ind.                    | Anchorage, Alaska      |
| Worcester, Mass.           | Lafayette, Ind.               | Bethel, Alaska         |
| Zanesville, Ohio           | Liberal, Kans.                | Cold Bay, Alaska       |
| Abilene, Tex.              | Lone Rock, Wis.               | Fairbanks, Alaska      |
| Alice, Tex.                | Mankato, Kans.                | King Salmon, Alaska    |
| Alma, Ga.                  | Maples, Mo.                   | Sisters Island, Alaska |
| Ardmore, Okla.             | Marquette, Mich.              | Kenai, Alaska          |
| Athens, Ga.                |                               |                        |

*VHF omnidirectional radio range (57)*

|                           |                        |
|---------------------------|------------------------|
| Atlantic City, N.J.       | Swainsboro, Ga.        |
| Beulahville, Va.          | Talladega, Ala.        |
| Blackford, Va.            | Taylor, Fla.           |
| Brushy Run, W. Va.        | Toccoa, Ga.            |
| Buckeye, W. Va.           | Toledo, Ga.            |
| Cameron, Pa.              | Grand Forks, N. Dak.   |
| Cincinnati (Lunken), Ohio | Grand Marais, Mich.    |
| Commack, N.Y.             | Houghton, Mich.        |
| Craigsville, Va.          | Kansas City, Mo.       |
| Franklin, Va.             | Marquette, Mich.       |
| Garrott, Pa.              | Smithwick, S. Dak.     |
| Hyannis, Mass.            | Garrison, Mo.          |
| Keating, Pa.              | Church, Iowa           |
| Kennebunk, Maine          | Grand Marsh, Wis.      |
| Linden, Va.               | Danville, Ill.         |
| Mystic, Ky.               | Hermosa, Calif.        |
| New Haven, Conn.          | Idaho Falls, Idaho     |
| Riker Island, N.Y.        | Oxnard, Calif. No. 2   |
| Robbinsville, N.J.        | Pasco, Wash.           |
| St. Thomas, Pa.           | Port Angeles, Wash.    |
| Shadyside, Md.            | Yuba Pass, Calif.      |
| Slate Run, Pa.            | Bethel, Alaska         |
| Patuxent, Md.             | Cold Bay, Alaska       |
| Washington, D.C.          | Fairbanks, Alaska      |
| Worcester, Mass.          | Kenai, Alaska          |
| Binnini, West Indies      | King Salmon, Alaska    |
| Kinston, N.C.             | Sisters Island, Alaska |
| Liberty, N.C.             | South Kauai, Hawaii    |
| McAllen, Tex.             |                        |

*VHF omnidirectional test equipment (54)*

|                            |                        |
|----------------------------|------------------------|
| Albany, N.Y.               | Savannah, Ga.          |
| Bedford, Mass.             | Tallahassee, Fla.      |
| Boston, Mass.              | Tampa, Fla.            |
| Birmingham, Ala.           | Tulsa, Okla.           |
| Charleston, S.C.           | West Palm Beach, Fla.  |
| Charlotte, N.C.            | Chicago (O'Hare), Ill. |
| Dallas, Tex.               | Detroit City, Mich.    |
| El Paso, Tex.              | Detroit (WR), Mich.    |
| Fort Worth (Carter), Tex.  | Fort Wayne, Ind.       |
| Fort Worth (Meacham), Tex. | Indianapolis, Ind.     |
| Houston, Tex.              | Milwaukee, Wis.        |
| Jacksonville, Fla.         | Minneapolis, Minn.     |
| Knoxville, Tenn.           | St. Louis, Mo.         |
| Memphis, Tenn.             | Albuquerque, N. Mex.   |
| Nashville, Tenn.           | Burbank, Calif.        |
| Oklahoma City, Okla.       | Santa Monica, Calif.   |
| San Antonio, Tex.          | Anchorage, Alaska      |

## INSTRUMENT LANDING SYSTEMS (24)

|                         |                      |                         |
|-------------------------|----------------------|-------------------------|
| Akron (Municipal), Ohio | Atlanta, Ga., No. 2  | Peoria, Ill.            |
| Atlantic City, N.J.     | Columbus, Ga.        | Waterloo, Iowa          |
| Boston, Mass. No. 2     | St. Petersburg, Fla. | Reno, Nev.              |
| Cleveland, Ohio, No. 2  | Spartansburg, S.C.   | San Diego, Calif.       |
| Columbus, Ohio, No. 2   | Springfield, Mo.     | San Francisco, Calif.   |
| Mansfield, Ohio         | Waco, Tex.           | Seattle (Tacoma), Wash. |
| Washington, D.C.        | Wichita Falls, Tex.  | Cold Bay, Alaska        |
| Abilene, Tex.           | Muskegon, Mich.      | Honolulu, Hawaii        |

## APPROACH LIGHTING

*Additional standard approach light systems (51)*

|                         |                      |                                 |
|-------------------------|----------------------|---------------------------------|
| Allentown, Pa.          | Macon, Ga.           | Rochester, Minn.                |
| Rochester, N.Y.         | Spartanburg, S.C.    | Bakersfield, Calif.             |
| Washington, D.C., No. 2 | St. Petersburg, Fla. | Cheyenne, Wyo.                  |
| Wheeling, W.Va.         | Tyler, Tex.          | Eugene, Oreg.                   |
| Wilkes-Barre, Pa.       | Wichita Falls, Tex.  | Monterey, Calif.                |
| Amarillo, Tex.          | Wilmington, N.C.     | Reno, Nev.                      |
| Atlanta, Ga., No. 2     | Battle Creek, Mich.  | Seattle-Tacoma, Wash.,<br>No. 2 |
| Baton Rouge, La.        | Evansville, Ind.     | King Salmon, Alaska             |
| Ft. Smith, Ark.         | Green Bay, Wis.      | Honolulu, Hawaii                |
| Greenville, S.C.        | Muskogon, Mich.      |                                 |
| Lafayette, La.          | Peoria, Ill.         |                                 |

*Conversion to standard approach light systems (13)*

|                    |                      |                   |
|--------------------|----------------------|-------------------|
| Albany, N.Y.       | Nashville, Tenn.     | South Bend, Ind.  |
| Charleston, W. Va. | Oklahoma City, Okla. | Boise, Idaho      |
| Reading, Pa.       | San Antonio, Tex.    | Portland, Oreg.   |
| Wilmington, Del.   | Des Moines, Iowa     | Fairbanks, Alaska |
| El Paso, Tex.      |                      |                   |

*Sequence flashing lights (22)*

|                      |                      |                         |
|----------------------|----------------------|-------------------------|
| Albany, N.Y.         | Shreveport, La.      | Boise, Idaho            |
| Baltimore, Md.       | Tampa, Fla.          | Cheyenne, Wyo.          |
| Louisville, Ky.      | Oklahoma City, Okla. | Colorado Springs, Colo. |
| Windsor Locks, Conn. | Detroit, Mich. (RML) | Fresno, Calif.          |
| Amarillo, Tex.       | Duluth, Minn.        | Long Beach, Calif.      |
| Miami, Fla.          | Omaha, Nebr.         | Portland, Oreg.         |
| Mobile, Ala.         | Albuquerque, N. Mex. | Sacramento, Calif.      |
| San Antonio, Tex.    |                      |                         |

## AIR NAVIGATION FACILITIES (L/MF AND MARKERS)

*Consolan (1)*

Miami, Fla.

*Radio homing beacons (5)*

|                           |                          |
|---------------------------|--------------------------|
| Atlantic City, N.J. (2)   | Coghlon Island, Alaska   |
| Clear Creek Butte, Alaska | Point Possession, Alaska |

*L/MF radio range loop (1)*

Atlantic City, N.J.

*Fan marker (6)*

|                   |                           |                          |
|-------------------|---------------------------|--------------------------|
| Glens Falls, N.Y. | Morgantown, W. Va.        | Coghlon Island, Alaska   |
| Westfield, Mass.  | Clear Creek Butte, Alaska | Point Possession, Alaska |

The proposed transfer of \$17 million to expenses would result in the deletion of the following facilities:

## LONG RANGE RADAR

*Establish long-range radar and associated beacons (3)*

Remote military radar to FAA centers:

Lovelock, Nev., to Oakland Center.

Oklahoma City, Okla., to Fort Worth Center.

Remote FAA radar to second center: Iowa City, Iowa, to Kansas City Center.

*Backfit scan conversion radarscope system for ATC radar beacon (29)*

|                      |                    |                           |
|----------------------|--------------------|---------------------------|
| Albuquerque, N. Mex. | Jacksonville, Fla. | Phoenix, Ariz.            |
| Benson, N.C.         | Kansas City, Mo.   | Pittsburgh, Pa. (Greater) |
| Boston, Mass.        | Lewiston, Pa.      | Roanoke, Va.              |
| Charleston, S.C.     | Memphis, Tenn.     | Sacramento, Calif.        |
| Denver, Colo.        | Miami, Fla.        | Salem, Oreg.              |
| El Paso, Tex.        | Minneapolis, Minn. | Salt Lake City, Utah      |
| Fort Worth, Tex.     | Montgomery, Ala.   | Seattle, Wash.            |
| Great Falls, Mont.   | New Orleans, La.   | Spokane, Wash.            |
| Houston, Tex.        | Norfolk, Va.       | St. Louis, Mo.            |
| Hutchinson, Kans.    | Omaha, Nebr.       |                           |

## TERMINAL AREA RADAR

*Install radar display system and air-ground channels (5)*

|                    |                      |
|--------------------|----------------------|
| Baltimore, Md.     | St. Louis, Mo.       |
| Milwaukee, Wis.    | Salt Lake City, Utah |
| Minneapolis, Minn. |                      |

## AIR TRAFFIC COMMUNICATIONS STATIONS

*Establish remote transmitters and receivers (5)*

|                    |                   |
|--------------------|-------------------|
| Bryce Canyon, Utah | North Bend, Oreg. |
| Elko, Nev.         | Spokane, Wash.    |
| Hoquiam, Wash.     |                   |

## VORTAC

*Convert VOR facility to VORTAC operation (11)*

|                   |                 |                  |
|-------------------|-----------------|------------------|
| Bradford, Ill.    | Evergreen, Ala. | Pinon, N. Mex.   |
| Carlsbad, N. Mex. | Hobbs, N. Mex.  | Princeton, Maine |
| Delancy, N.Y.     | La Grange, Ga.  | Royston, Ga.     |
| Dubuque, Iowa     | Macon, Mo.      |                  |

*Establish VOR test signal facility, VOT (15)*

|                                  |                 |                           |
|----------------------------------|-----------------|---------------------------|
| Chattanooga, Tenn.               | Omaha, Nebr.    | Sacramento, Calif.        |
| Des Moines, Iowa                 | Ontario, Calif. | Shreveport (greater), La. |
| Jackson, Miss.                   | Orlando, Fla.   | Teterboro, N.J.           |
| Little Rock, Ark.                | Pensacola, Fla. | Wichita, Kans.            |
| New Orleans (International), La. | Rochester, N.Y. | Windsor Locks, Conn.      |

## INSTRUMENT LANDING SYSTEMS

*Improve glide slope facilities (20)*

|                    |                  |                         |
|--------------------|------------------|-------------------------|
| Arcata, Calif.     | Erie, Pa.        | Colorado Springs, Colo. |
| Austin, Tex.       | Flint, Mich.     | St. Joseph, Mo.         |
| Binghamton, N.Y.   | Fort Wayne, Ind. | South Bend, Ind.        |
| Casper, Wyo.       | Greenville, S.C. | Tyler, Tex.             |
| Charleston, W. Va. | Joplin, Mo.      | Wheeling, W. Va.        |
| Cheyenne, Wyo.     | Pittsburgh, Pa.  | Winston-Salem, N.C.     |
| Duluth, Minn.      | Reading, Pa.     |                         |

## APPROACH LIGHTING

*Establish standard approach light systems (8)*

## Initial installation (7)

|                            |                   |                  |
|----------------------------|-------------------|------------------|
| Chantilly, Va.             | Hutchinson, Kans. | New Orleans, La. |
| Corpus Christi, Tex. (new) | Milwaukee, Wis.   | Pueblo, Colo.    |
| Dallas, Tex.               |                   |                  |

## Dual installation (1)

Chantilly, Va.

*Establish sequence flashing lights (5)*

|                           |                 |              |
|---------------------------|-----------------|--------------|
| Billings, Mont.           | Rochester, N.Y. | Toledo, Ohio |
| Bristol (Tri-City), Tenn. | Lansing, Mich.  |              |

*Provide additional threshold lights (4)*

|                 |                |                      |
|-----------------|----------------|----------------------|
| Dayton, Ohio    | St. Louis, Mo. | Windsor Locks, Conn. |
| Louisville, Ky. |                |                      |

## MASSACHUSETTS STATIONS TO BE ELIMINATED

Senator SALTONSTALL. I call attention to the fact that there are eight in Massachusetts under your letter to me dated August 20 that will have to be eliminated.

I assume that that is eight out of a good many throughout the country.

Mr. QUESADA. That is right. However, only one of the eight facilities would have been financed from the establishment appropriation. Seven are facilities which we will commission and operate in the 1960 fiscal year if the transfer of funds to the "Expenses" appropriation is approved.

Senator MAGNUSON. There are some in every State?

Mr. QUESADA. I want to make it clear that it is not a satisfying thing to delay our establishment program. It is the only way we will be able to operate the facilities rather than mothball them.

## REVISED ESTIMATE

Senator MAGNUSON. After the conference report, which has not been approved yet, you made a revised estimate which you have?

Mr. QUESADA. That is correct.

Senator MAGNUSON. And also an estimate of what you could put back in with the \$17 million transferred?

Mr. QUESADA. Right.

Shall I continue, Senator Saltonstall.

## QUESTION AT ISSUE

Senator SALTONSTALL. Yes; I understand it now.

I will say to Senator Magnuson, the only question is whether we want to appropriate more money for your expense account instead of this transfer in order to go forward with establishing these new facilities which will have to be delayed because of this transfer.

Mr. QUESADA. We are not asking for that, Senator. Naturally, I support the President's budget. But at this moment we are not asking for that.

We are only trying to accommodate ourselves to reality. We are trying to move money from the "Establishment of facilities" appropriation to the "Expense" appropriation, so that we can operate facilities that will be in being.

Senator SALTONSTALL. I agree with that principle. The question is how much safety is being retarded by the failure to establish these new facilities.

Mr. QUESADA. We will give that to you and give you an outlined account of just exactly what facilities they are that we will not now be able to buy.

Senator SALTONSTALL. Yes. I understand that.



## THE 1960 COST OF CONTINUING PROGRAMS

Mr. QUESADA. Assuming you grant our request, the 1960 cost of continuing our programs at the level approved by the Congress for June 30, 1959, is approximately \$292 million.

The minimum additional cost of providing for the increased workload anticipated for 1960 as a result of a greater volume and more complex aviation activity is some \$15.7 million.

Thus, the \$301.7 million approved by the Congress falls \$6 million short of funds required to continue the current level of services and to adequately staff going facilities.

The appropriation provides no funds whatsoever to defray the cost of operating and maintaining new air traffic management and air navigation facilities.

The need to construct these facilities was recognized by prior Congresses, which authorized \$73 million for their establishment. This construction has been carried out in response to the mandates of Congress and as an integral part of the agency's long-range program to increase safety and reliability in both civil and military aviation activity.

This effort will be gravely impaired if these new facilities are not placed in operation as rapidly as they become available for service.

## OPERATION OF EXISTING FACILITIES AND SERVICES

I firmly believe that it is in the public interest to give first priority to financing the operation of existing facilities and services. We constantly review our going operation to confirm that there is a continuing requirement for each facility and service.

Criteria have been established which provide a positive means of identifying and eliminating facilities that cease to justify the continued expenditure of Federal funds for operation.

We are, therefore, able to state with confidence that the facilities now in operation are generally located at the places with the largest volume of activity and provide the highest priority service in our total program.

To underman or decommission these facilities to finance new facilities currently being constructed would obviously not be in the public interest.

## NEW FACILITIES AUTHORIZED

Therefore, the new facilities authorized by Congress in prior years for construction cannot be placed in operation with the reduced funds allowed in the expenses appropriation. These new facilities include the following important air traffic management and air navigation aids: 17 long-range radars, 19 terminal radars, 11 traffic control towers, 166 short-range navigation facilities, 44 approach light systems, and 24 instrument landing systems.

It is clearly indefensible for the Government to buy and install badly needed navigation aids and then have them in mothballs.

For this reason I have concluded that we must provide the money to operate facilities due for commissioning during the 1960 fiscal year, even at the cost of deferring the procurement of equipment scheduled for installation in subsequent years.

For this reason I am requesting your approval of the transfer of \$17 million from the establishment of air navigation facilities appropriation to the expenses appropriation. I would not request such action, which will retard the procurement and construction of additional air traffic management and air navigation aids, if I did not sincerely believe that it is absolutely necessary.

I think it is important to make the record clear regarding the importance of the establishment of air navigation facilities program as this request may be construed to mean that funds authorized by the Congress were excessive. This is not the case.

#### ORIGINAL BUDGET REQUEST

Our original request, as included in the President's budget, was \$145 million. I believed then, and I believe now, that this was the minimum required to provide for the most essential, high priority items. My decision to request this transfer was based on the simple principle that we must operate facilities which we will have during 1960 even at the expense of deferring procurement of new facilities and equipments.

I, therefore, urge you to approve the requested transfer of funds.

#### TRAVEL COSTS

The travel cost of commissioning new facilities during the 1960 fiscal year is estimated to be \$625,000. The travel limitation for the expenses appropriation as approved by the Congress is \$13.5 million. This entire amount is needed to carry out the program already approved.

The travel requirements of FAA are primarily for the technical training of new employees and job performance travel of engineers and maintenance personnel, which cannot be reduced without curtailing the program.

Therefore, I request an increase in the travel limitation for the expenses appropriation from \$13.5 million to \$14,125,000.

Senator MAGNUSON. The \$14,125,000 was the original request?

Mr. QUESADA. \$14.1 million is lower.

Mr. HARPER. We originally asked for \$15,700,000 for travel.

Mr. QUESADA. The difference between \$13.5 million and \$14,125,000 is only to permit us to man the new equipments for which we are now asking for funds.

#### LIMITATION ON TRAVEL

The Independent Offices Appropriation Act limits the amount of travel to the amount set forth in the estimate. The establishment of air navigation facilities appropriation presented in the President's budget does not identify travel separately as the justification is on a project basis.

Technically, this would prohibit us from using any of these funds for travel purposes and, consequently, bring this program to a standstill.

I am confident that Congress did not intend that this important program be stopped and, therefore, I request approval of clarifying language for this appropriation authorizing the expenditure of not to exceed \$4 million for travel.

Senator MAGNUSON. The last item on travel does not have budget approval. Am I correct in that?

Mr. DEAN. The last item was not set forth in the agency's submission to the Congress.

Under the language that the Independent Offices Appropriation Act imposes on us, there must be such a justification. So this is simply a technical problem of complying with the General Accounting Office requirement by having this authorization for travel.

Senator MAGNUSON. I wanted that in the record because I know in conference we will be asked that question by the House conferees.

Senator SALTONSTALL. In the establishment of navigational facilities, that is a new construction. I have never heard of a travel allowance, since I have been sitting on this committee, where you are establishing new construction.

It is taken for granted you have to go out there where you are establishing. It would seem to me it would be much better not to put this in as a distinct travel limitation, but to leave it as it is. I do not know whether the chairman of the subcommittee agrees with me on that, or not, but I cannot ever remember hearing that.

Mr. DEAN. Senator, at the time that the CAA was under the Commerce Department Appropriation Act there was no comparable provision and, therefore, there was no specific language in establishment appropriation.

Senator MAGNUSON. Travel was under "Salaries and expenses"?

Mr. DEAN. No, sir; the travel for establishing facilities has always been included in the establishment appropriation. Travel for operating and maintenance was under "Expenses" and it was assumed that travel for establishing facilities was an integral part of the project cost.

#### SPECIFIC AUTHORITY REQUIRED

Now, however, because of the language of the Independent Offices Appropriation Act as interpreted and enforced by the General Accounting Office, specific authority is required to use money out of the establishment appropriation for travel. Otherwise our accounts could be challenged and we will not be able to allow those employees who have to actually go to the sites to install this new equipment to do so.

Now, if the Congress amended the general provisions in the independent offices appropriation bill we would not be faced with this problem.

As long as the general provision applies, we must comply with it.

Senator MAGNUSON. Of course, we cannot do that now.

Mr. DEAN. That is correct.

Senator SALTONSTALL. How do you justify \$4 million worth of travel in the establishment of new air navigational facilities where there is \$135 million involved and a less amount of travel in the expenses of present operating facilities where there is \$300 million involved?

In other words, there is a lot more travel in the establishment than there is under your expense account.

Mr. DEAN. Senator, the total amount under the expense appropriation would be \$14 million.

Senator SALTONSTALL. For travel?

Mr. DEAN. For travel, which is pretty much in ratio.

Senator SALTONSTALL. Thank you.

Mr. Chairman, I ask one more question: General Quesada, I just make this as an observation.

#### NANTUCKET INSTALLATION

One of these installations that you cut out is at Nantucket where a whole planeload of people, I cannot remember whether it was 25 or 30 people, were killed last summer. That is why we from Massachusetts are trying very hard to get that in.

You will recall that whole Northeast Airlines plane was destroyed with every passenger aboard as I remember.

Mr. QUESADA. That is true. It is for those reasons that we are forced to adopt this measure much to our dislike, to man the facilities that we are in fact buying.

Senator SALTONSTALL. Then we could cure that if the Congress was willing to appropriate some \$17 million more for your expense account?

Mr. QUESADA. That is true.

Senator SALTONSTALL. You would not have to transfer funds from establishment of facilities?

Mr. QUESADA. That is right.

Senator SALTONSTALL. If we added \$17 million to your expense account and we would have the jurisdiction to do that, I think, then you would not have to deduct anything from these new facilities.

Mr. QUESADA. That is substantially the case.

#### SUBMISSION OF TRANSFER LANGUAGE

Mr. DEAN. Senator, the reason why the transfer language was submitted was that the Congress in acting on the independent offices appropriation bill had arrived at a certain total amount for the agency.

The agency therefore was reluctant in the same session of Congress to come back and ask for an increase in funds.

Senator SALTONSTALL. You will not feel badly if we do it then?

Mr. DEAN. We certainly would not. All we have done is to indicate that if the Congress is unwilling to provide total funds closer to the President's budget, that it would give us a more balanced program to approve this transfer and permit us to operate the new facilities which otherwise will simply be standing inoperative at airfields and other points throughout the country.

Senator SALTONSTALL. What you are doing is very politely hinting that you would like \$17 million in new money?

Mr. QUESADA. Senator, we could sit idly by and have these facilities also idle. That would result in some degree of intimidation and we do not do that.

It is our practice to adjust ourselves, as well as we know how, to reality. The fact remains that these facilities are going to come in being and they should be operating, and as an alternative we are suggesting that we delay the construction of certain facilities until the future so that we can operate facilities that will be in being now.

Senator MAGNUSON. I suspect in the first supplemental in January you will have some report on the program and you will have also a

list of those that should go on next year, other than your regular appropriation.

Mr. QUESADA. If that is the case, we would be retarded some 6 months instead of a longer time, Senator.

#### COMMUNICATION

Senator MAGNUSON. Mr. Chairman, I would like to put in the record at this point a communication from the city of Williamsport, Pa., at the request of Senator Clark.

Chairman HAYDEN. That may be done.

(The letter referred to follows:)

CITY OF WILLIAMSPORT,  
Williamsport, Pa., August 24, 1959.

Senator DENNIS CHAVEZ,  
Chairman, Senate Appropriations Committee,  
Washington, D.C.

DEAR SENATOR CHAVEZ: The city of Williamsport must depend on air travel more and more each day. We are situated in mountainous terrain with no access to superhighways and are faced with declining rail passenger service. Last year, the Williamsport Airport transported 53,558 people in and out of our city, in addition to an ever-increasing amount of airfreight. Presently, our movements at the airport are controlled from New York, with the result that many flights have been delayed in landings and takeoffs, to the detriment of our community. This lack of local control is also quite hazardous and should be corrected in the interest of air safety.

I sincerely hope and respectfully request that you consider the dire need in which our city stands for the manning of the control tower which will soon be completed at the Williamsport Lycoming County Airport.

This airport serves the needs of better than 660,000 people and it is essential to our economic growth and development that we have this tower in operation at the earliest possible moment.

We respectfully urge that you accede to the request of the Federal Airport Authority to transfer \$17 million from the airport appropriations building fund to the operating fund so that this urgently needed facility can go into operation.

It is our specific request that this letter be spread on the minutes of the committee's proceedings.

Our city solicitor, Mr. Charles F. Bidelspacher, Jr., will represent us at the hearing and we will be grateful for any courtesies extended to him in our behalf.

Very truly yours,

THOMAS H. LEVERING, Mayor.

#### LOCATIONS OF NEW FACILITIES

Senator BYRD. General Quesada, would you mind including in the record the types and the locations of the new facilities that might not be made operational in the fiscal year 1960 unless this language is approved?

Mr. QUESADA. I have done so, sir, but I will repeat it again. I do not think I interpreted that correctly.

Mr. DEAN. Senator, we do not have in our statement the States in which they are located, but on page 4 we summarize them. We will be very happy to introduce in the record the geographical location of each.

#### EFFECT ON WEST VIRGINIA

Senator BYRD. Now, I would like to ask General Quesada to state at this point just how my own State of West Virginia will be affected because I think safety in air travel constitutes a peculiar problem perhaps as it pertains to West Virginia.

I would like to know how my own State of West Virginia would be affected if this language is not approved.

Mr. QUESADA. In terminal radars, not affected.

In air traffic control towers, you would be affected at Huntington, sir.

Senator MAGNUSON. That is the one we had a lot of testimony on, on the regular appropriations.

Mr. QUESADA. That is correct.

In short-range navigational facilities, at Bushy Run.

Mr. THOMAS. At Buckeye, too.

Senator MAGNUSON. These facilities would be made operational in this language if it is approved?

Mr. QUESADA. That is correct.

In approach light systems, Wheeling and Charleston, and in instrument landing systems ---

#### TRI-STATE AIRPORT AT HUNTINGTON, W. VA.

Senator BYRD. Would you address yourself briefly to the situation as it pertains to the Tri-State Airport at Huntington as to how it would be affected if this language is not approved?

Mr. QUESADA. The situation at Huntington would be similar to 10 other places. We would have a situation in which Congress has appropriated the money for certain facilities.

We have acquired and purchased those facilities and we will be unable to man them.

#### LOCAL CONTRIBUTIONS

Senator BYRD. Is it not true that local contributions in the case of the Tri-State Airport at Huntington amounted to \$100,000?

Mr. QUESADA. You are referring to the Federal aid to airports program, now?

Senator BYRD. Yes. I am talking about private and industrial contributions.

Mr. QUESADA. I don't think this would affect that. It would make the whole field complex less efficient and all other moneys spent would be without the benefits of the control tower.

It would affect it in that respect, sir.

Senator BYRD. Now the facilities are about to be left unmanned if we fail to appropriate the moneys or use the language that you have recommended.

Mr. QUESADA. That is true. All the effort that the community has put into the development of this airport would be handicapped by the lack of tower facilities for which money has also been appropriated.

Senator BYRD. Do you believe that the increased activity at that airport points up a great need for the utilization of this language that you have recommended here today?

Mr. QUESADA. I do; in Huntington and many other places as well.

## LETTER FROM SENATOR RANDOLPH

Senator BYRD. Mr. Chairman, I would like to include in the record a letter which has been addressed to this committee by my colleague, Senator Randolph, calling attention to the need for these moneys, the need for the facilities being used, and stating his support of the language which has been recommended here today by General Quesada.

Mr. Chairman, I would also like to include in the record of the hearings a letter which was addressed to me by General Quesada on August 21, 1959, in which the general, in answer to a request by Senator Randolph and myself and Congressman Hechler, of the Fourth District of West Virginia, pointed to the absolute need for this language if our facilities at Huntington are to be manned in the year 1960.

Chairman HAYDEN. That may be done.

(The letters referred to follow:)

U.S. SENATE,  
COMMITTEE ON LABOR AND PUBLIC WELFARE,  
August 25, 1959.

HON. CARL HAYDEN,  
Committee on Appropriations,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: It is my understanding that the reduction of \$23.1 million in the "Expenses" appropriation for the Federal Aviation Agency will result in that Agency suspending plans to place into operation air navigation facilities completed during 1960 fiscal year. Operation of these facilities, according to FAA, would require approximately \$17 million more than the amount provided in the appropriations bill recently enacted.

There is much merit in the position taken by FAA that there is no sound reason to construct new navigation facilities and then fail to provide the personnel or other means for their operation. But that seems to be precisely what has happened—and because it has occurred, FAA, I understand, is requesting authority in legislation pending before your committee, to transfer \$17 million from its "Establishment" appropriation (which finances the acquisition of new equipment) to the "Expense" appropriation (which supports the operation of air navigation facilities).

If the FAA request for transfer of funds is authorized by the Congress, I understand it will be possible to operate all new facilities commissioned during the 1960 fiscal year. We have some facilities in this category in West Virginia, as you are well aware.

If the facts are as I understand them—and I am sure you and your colleagues of the Committee on Appropriations can develop the facts accurately—I would consider the Federal Aviation Agency's request for fund transfer authority to be both valid and meritorious.

Sincerely yours,

JENNINGS RANDOLPH.

FEDERAL AVIATION AGENCY,  
Washington, D.C., August 21, 1959.

HON. ROBERT C. BYRD,  
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: This is in reply to the letter of August 12, 1959, in which you jointly with Senator Randolph and Congressman Hechler asked to meet with me to discuss the problems of financing new facilities, such as the control tower being built near Huntington, W. Va., with the reduced appropriation provided in the independent offices appropriation bill.

The reduction of \$23.1 million in our "Expenses" appropriation has made it necessary for the Agency to suspend plans to place into operation air navigation facilities completed during the 1960 fiscal year. To operate these new facilities would require approximately \$17 million more than the amount provided in the appropriations bill as agreed to in Congress.

We realize that it is indefensible for the Government to construct new navigation facilities and then refuse to operate them. For this reason, we are requesting authority to transfer \$17 million from the "Establishment" appropriation (which finances the acquisition of new equipment) to the "Expenses" appropriation (which supports the operation of air navigation facilities). If this request is approved by the Congress, it will be possible to operate all new facilities commissioned during the 1960 fiscal year. We understand that the Senate Appropriations Committee will hold hearings on this request at 10:30, Tuesday, August 25. Since the ability of our Agency to finance the operation of new facilities during the current fiscal year is dependent upon the action of Congress on the transfer request, we do not believe that a meeting as requested in your letter would be beneficial at this time.

Sincerely,

E. R. QUESADA, *Administrator.*

#### CHANTILLY SEWER LINE

Senator BIBLE. Might I ask General Quesada one question before he completes his testimony?

General, during the course of the hearings on the supplemental you testified on behalf of the restoration of the sum of \$2,450,000 for the construction of a sewerline from Chantilly to connect with the Washington system. That was put in by the Senate and was lost in conference so that the amount now available is something in the neighborhood of \$750,000 for the construction of an independent sewer system at the Chantilly site.

Now, when will that construction actually start? Do you have a timetable on that?

Mr. QUESADA. Senator, I am sure you understand that the sewer problem is treated in another appropriation separate and distinct from the appropriation that we are now discussing.

Senator BIBLE. I recognize that, but you can, being the Administrator of the Federal Aviation Agency, and you testified in favor of the restoration of the \$2,450,000 so you are knowledgeable on the subject.

Mr. QUESADA. If I may say parenthetically, sir, it distresses me personally and as a public official that we are not building, we have not got the funds to build the sewerline down to below the intake for Washington, D.C.

This distresses me personally and also as a Government official because I think it is fundamentally wrong, sir, for the Federal Government to dump even treated effluent into the Potomac River when the community in this area is trying very hard to protect the Washington water supply. I think it is fundamentally wrong.

#### CONFERENCE ACTION

Senator BIBLE. I could not agree with you more. That was exactly the position I took as an individual. That is exactly the position our Joint Committee on the Washington Metropolitan Problems took as a joint committee.

Nevertheless, the item has been lost in conference and we are now faced with the possible future construction of an independent sewage treatment plant which will soon outlive its usefulness.

I think that is inevitable.

Mr. QUESADA. And we will be starting the necessary engineering and necessary plans and necessary construction in the immediate future.



Senator BIBLE. What does the immediate future mean? That is what I was trying to develop. Is that within 2 months or 3 months. Will this be brought about before the Congress has a chance to take another look at this in this coming January?

Mr. QUESADA. I think not, sir. This would not be an error that is irretrievable.

Senator BIBLE. Why?

Mr. QUESADA. If Congress elects either for the remainder of this term or in January, to appropriate the money for this sewer that they have previously denied, I think that we could correct the situation.

#### OPERATING DATE FOR AIRPORT

Senator BIBLE. When are you going to start building the independent plant at Chantilly Airport.

Mr. TIPPETS. Senator, keep in mind that we are going to have an operating airport in January 1961, then you have to begin to work backward on the physical plant as the facilities go in. We will start the engineering of this project immediately. Physically it is likely to be after the first of the year before any particular amount of physical work is undertaken.

But we will have to go ahead now with our engineering firms and lay the necessary groundwork. We have to begin engineering now.

Physically, I don't think anything will happen before the first of January on the sewer itself.

Senator BIBLE. All I am trying to say, Mr. Chairman, is I hope we will have a chance to take a second look at this problem in January or February and possibly remedy what I think was a very serious error in not appropriating this money to do an effective job for a longer period in the future.

#### TOTAL INDEPENDENT SEWER SYSTEMS

As we are doing it now, it is just a piecemeal job, I might say, Mr. Chairman, there are 22 independent sewer systems along the Virginia side.

The joint committee has been convinced these must be tied up with some type of regional authority.

I thought this was one way we might move into it.

Senator DWORSHAK. General, I want to share the concern of Senator Bible on this problem. I think there is a great responsibility resting on your Agency and upon you and upon the Congress to take appropriate action so that we will not pollute the water system of the Washington metropolitan area.

Until anything is not settled right, I don't think we can afford to take formal action. I realize you are under more or less a mandate from the Congress, but I certainly hope that you will give this your careful attention so that we may have an effective solution of the problem.

Mr. QUESADA. As I indicated and as I testified before the committee previously, as I indicated today, this situation is very, very distressing to me.

I am a Washington boy, Senator, so perhaps I construe this differently than most people might, but aside from that I just think it is

fundamentally wrong for the Federal Government to engage in a process that appears to bring pollution to our streams when lesser communities are trying to avoid it.

The appropriation that we have asked for does nothing other than take care of the airport sewage and bring it into the Washington system.

Senator DWORSHAK. I agree with you. Since Congress established the site for that airport I think we have the responsibility to see that we do not set up any unnecessary hazards to the health and safety and welfare of the National Capitol.

Senator BYRD. Mr. Chairman, I have one further question.

EFFECT OF DISALLOWANCE OF LANGUAGE REQUEST

General Quesada, if the proposed language giving you authority to transfer the \$17 million is not approved, would you impound the \$17 million?

Mr. QUESADA. No, sir.

Senator BYRD. You are asking to be permitted to transfer \$17 million to the expense account?

Mr. QUESADA. And if this were denied to us?

Senator BYRD. Yes.

Mr. QUESADA. We would then go ahead with our program.

Senator BYRD. I just wanted to ask one further question, Mr. Chairman, and I may appear local or parochial in my interests, but air safety is of interest to the Nation. I just want to make sure that if this language is approved these facilities in West Virginia will be commissioned during the 1960 fiscal year.

Mr. QUESADA. It is our plan to do so and I can think of no reason whatsoever why they would not.

Senator BYRD. Thank you.

Chairman HAYDEN. Thank you.

(The following were presented for the record.)

FEDERAL AVIATION AGENCY,  
Washington, D.C., August 20, 1959.

HON. LEVERETT SALTONSTALL,  
U.S. Senate, Washington, D.C.

DEAR SENATOR SALTONSTALL: Reference is made to your inquiry regarding the effect of the Federal Aviation Agency 1960 appropriation on programs in the State of Massachusetts.

I am enclosing a statement of new air navigation facilities that were included in the 1960 budget. Because of the reductions in our budget request, we will be unable to proceed with the operation or establishment of these facilities in fiscal year 1960.

Please let me know if you desire any further information regarding FAA programs in your State.

Sincerely,

E. R. QUESADA, Administrator.

NEW AIR NAVIGATION FACILITIES IN THE STATE OF MASSACHUSETTS INCLUDED  
IN THE FAA 1960 BUDGET*Expenses—Facilities planned for operation in 1960*

| <i>Location</i> | <i>Type of facility</i>  |
|-----------------|--|
| Bedford.....    | Very high frequency omnirange test equipment. This facility is used for checking the accuracy of aircraft very high frequency omnirange receivers.   |
| Boston.....     | Instrument landing system (second system). This facility provides pilots with direction, distance, and glide slope information necessary for making an approach to a runway under conditions of poor visibility. |
|                 | Very high frequency omnirange test equipment. This is the same type of facility as described above at Bedford.   |
| Hyannis.....    | Very high frequency omnirange. A short-range navigation aid which defines the location of principal airways and furnishes pilots direction from ground stations.   |
| Nantucket.....  | Conversion to Vortac. Adding the Tacan distance measuring feature to an existing very high frequency omnirange.  |
| Westfield.....  | VHF/UHF direction finder. This equipment is used to give flight assistance to pilots requiring aid in determining their location.  |
|                 | Fan marker. This type of facility is used to identify certain points along airways and as reporting points for aircraft approaching and departing airports.  |
| Worcester.....  | Vortac. A short-range navigation aid which defines the location of principal airways and furnishes pilots direction and distance from ground stations. (The same as Nantucket will be after conversion.)         |

*Establishment of air navigation facilities—Facilities planned for establishment*

| <i>Location</i> | <i>Type of facility</i>  |
|-----------------|--|
| Westfield.....  | Convert very high frequency omnirange to a Vortac facility. This project provided for adding a Tacan facility of the type described above at Nantucket to the very high frequency omnirange. |

In addition to the Westfield project it may be necessary to defer a number of projects involving technical and operational improvements to existing facilities, however, the basic service as now provided by the facilities will not be affected.

## DEPARTMENT OF COMMERCE

CENTURY 21 EXPOSITION, SEATTLE, WASH.

STATEMENTS OF GEORGE T. MOORE, ASSISTANT SECRETARY FOR ADMINISTRATION; OSCAR H. NIELSON, DEPARTMENTAL BUDGET OFFICER; FRANCIS D. MILLER, SPECIAL ASSISTANT TO THE SECRETARY; L. L. HUNTER, GENERAL SERVICES ADMINISTRATION; R. M. JACKSON, GENERAL SERVICES ADMINISTRATION; BURTON W. ATKINSON, NATIONAL SCIENCE FOUNDATION; AND JAMES HURD, DEPARTMENT OF STATE

### BUDGET REQUEST

Chairman HAYDEN. We only have an opportunity to hear one more matter and that will be the Department of Commerce participation of the Seattle Exposition.

The rest of the witnesses may be excused until 10:30 tomorrow morning.

There is for consideration a request in the amount of \$12,500,000 for the costs of Federal Government participation in the Century 21 Exposition to be held in Seattle, Wash., in 1961 and 1962.

At this point there will be placed in the record the appropriate extract from Senate Document No. 47, of August 22, transmitting the request for these funds as well as the Department of Commerce justification in support of this request.

(The justification referred to follows:)

### "DEPARTMENT OF COMMERCE

#### "GENERAL ADMINISTRATION

#### "PARTICIPATION IN CENTURY 21 EXPOSITION

*"For expenses necessary to carry out the provisions of the Act of September 2, 1958 (72 Stat. 1703), as amended, including not to exceed \$5,000 for official entertainment expenses, \$12,500,000, to remain available until expended: Provided, That this amount shall be available only upon the enactment into law of S. 2065 or H.R. 8374, Eighty-sixth Congress, or similar legislation."*

Public Law 85-880 (approved September 2, 1958) provided for participation of the Federal Government in the world fair to be held in Seattle, Wash., in 1961-62. After completion of a study to determine the extent of such participation, as provided in the act, the President recommended that the Federal Government, with leadership in the Department of Commerce, construct a building to house appropriate exhibits to demonstrate the role of science in modern civilization. Amendments to the law necessary to complete this project have been passed by the House and reported in the Senate. The proposed appropriation will be available contingent upon the enactment into law of these or similar amendments.

#### THE THEME OF THE SEATTLE EXPOSITION, "CENTURY 21"

The exposition, which will be held in Seattle in 1961 and 1962, will be international in scope and effect. The three purposes of the exposition are stated in Public Law 85-880. All three have international significance. The three are stated in the act as follows:

"(1) commemorate the centennial of the physical fixing of the boundary line between the United States of America and Canada,

"(2) depict the role of science in modern civilization, and

"(3) exhibit the varied cultures of the nations of the Pacific Rim."

The Washington State World Fair Commission has determined that recent tremendous strides of science which have brought us into the atomic and space era should be emphasized in this first major U.S. exposition since 1939.

The commission has secured the advice of leading U.S. scientists and plans the type of exciting and scientific exposition that could lead American youth into scientific careers, assist adults to understand scientific progress, and demonstrate the responsible attitude which the United States has toward such progress—that it should be used for the benefit of mankind.

### *History*

The Century 21 Exposition has been in planning stages since 1955. That year, Gov. Arthur B. Langlie, of Washington, appointed a bipartisan exposition commission, the leadership of which continues today under Gov. Albert D. Rosellini.

Acting on recommendations of this exposition commission, which enlisted the aid of the University of Washington Department of Business Research, the Washington State Legislature in 1957 appropriated \$7,500,000 for site acquisition and capital expenditures for an international exposition. Additional funds for site acquisition and facilities to be utilized by the exposition have been made available through a \$7,500,000 bond issue voted by Seattle's electorate. Thus, a total of \$15 million already has been raised to finance the Century 21 Exposition.

### *Site*

The site acquired by these two agencies embraces 74 acres overlooking Seattle's harbor, only a mile from the city center. Engineering and financing studies are being completed by the Seattle Transit System and Lockheed Aircraft Co. to provide a monorail link bringing people from the city center to the exposition in a minute and a half. All necessary utilities are installed in the site. Demolition of existing buildings which will not be a part of the exposition has been underway since November 1958.

### *Operations*

Under provisions of the 1957 enabling act of the Washington State Legislature, a statewide nonprofit corporation was formed in November 1957 to provide operational leadership for the exposition. Today this corporation, Century 21, Inc., has as its board of trustees 100 of the State's top industrial, labor, civic, and agricultural leaders. The Governor serves as honorary chairman. Serving as ex officio vice chairman are all members of the Washington State congressional delegation and Mayor Gordon S. Clinton, of Seattle. Officers of the board meet weekly. Trustees meet quarterly to review operational expenditures. Capital expenditures are directed by the exposition commission, with the Washington State Department of Commerce and Economic Development acting as fiscal agent.

### **BASIS FOR FEDERAL GOVERNMENT PARTICIPATION**

The draft letter for President Eisenhower's use in transmitting the report on the plan for Federal participation to the Congress, as called for by Public Law 85-880, states several reasons for Federal participation:

"\* \* \* Today many Federal departments and agencies have great scientific responsibilities. In accordance with the act the Department of Commerce was designated to develop a comprehensive plan for all of these agencies to demonstrate their scientific accomplishments and goals, especially to the youth of America, the peoples of the Pacific area, and the world at large, through the medium of the international exposition in Seattle in 1961.

"The leadership of the United States in many fields of science brings with it the responsibility for showing how such accomplishments are made in our democracy. Furthermore, we must constantly state and demonstrate our belief that increased scientific knowledge must be used for the benefit of man. The plan for these Federal agencies to demonstrate their achievements and aims at this international exposition will carry with it an expression of the willingness of the United States to share scientific progress. Therefore, I recommend that the Congress authorize and appropriate funds for its implementation."

Scientific achievement within our democracy, the role of Federal departments and agencies in such accomplishments, and the goals for the future will be dramatically presented at the Century 21 Exposition. At a time when many thinking Americans are urging youth to seek scientific careers, such dramatic presentations by any of the various participating agencies may excite and arouse a desire to prepare for such careers.

*United States-Canadian Boundary Centennial*

One of the purposes of the exposition is to celebrate the centennial of the physical fixing of the boundary between the United States and Canada. The excellent relations between Canada and the United States along the longest unfortified boundary in the world today reminds all peoples that cooperation among the nations of the world, based on trust and mutual respect, is not only possible, but beneficial to all. Commemorating the harmony that has existed along this border may serve to remind the world of the need to live side by side with one another even though scientific progress has given us the means of annihilating each other.

*Depicting the role of science in modern civilization and exhibiting the varied cultures of the nations of the Pacific rim*

The United States will illustrate its belief that the proper role of science in modern civilization requires the assumption of moral responsibility in international relations. It is appropriate that emphasis is to be placed on participation in the exposition by nations bordering on the Pacific Ocean—the so-called Pacific rim nations. All of them are targets for Communist domination. Many of these nations are in the beginnings of their political and scientific development. It seems appropriate, therefore, for the United States to look forward to its own future and their future, using the exposition, and particularly its science theme center, as a forum. The United States will affirmatively assert its hope for future economic and health improvement evolving from scientific progress.

The U.S. exhibition will show those strides that are being made to combat disease and malnutrition. If we are looking forward toward the time when ocean water, free from salt, will be used most economically for manufacturing and irrigation, this should be demonstrated in an effective exhibit. Undoubtedly, the waters and depths of the ocean can also become one of the most important sources of food, minerals, and energy. Similarly, if steps are being taken toward securing power and energy from solar and fusion processes, this can and should be shown, for the area of the Pacific Rim will be affected most dramatically because its later start in scientific progress enables it to skip lightly over a large portion of scientific progress in the earlier 20th century.

## DEVELOPMENT OF PLAN OF FEDERAL PARTICIPATION

Following the passage by Congress of Public Law 85-880, and approval by the President on September 2, 1958, the President designated the Secretary of Commerce to assist him in the development of the plan for Federal Agency participation in the exposition. While Public Law 85-880 authorized the appropriation of \$125,000, its passage near the end of the session of Congress precluded the presentation of appropriation legislation. Out of the emergency funds appropriated to the President \$60,000 was made available for the purposes of determining the best plan for the participation of agencies, and for the preparation of a report to Congress, as called for by the act.

In January 1959, the Secretary of Commerce called together representatives of agencies whose accomplishments and responsibilities indicated that they might be likely to participate in the scientific and international aspects of the exposition. Following this meeting, the President's Office asked the heads of these and other agencies to designate a top official who could work with the Secretary of Commerce's staff on coordinating a plan for Federal exhibition. Fifteen agencies designated such a person and brought together their own staff members to consider their own plan for participating. Members of the Secretary of Commerce's staff participated in many of these meetings. Several of the leading U.S. scientists who have been advising the Seattle Exposition officials, likewise made themselves available to consult with these agencies on the science content of the U.S. exhibition.

## COORDINATION OF PLANS BY DEPARTMENT OF COMMERCE

The various agencies, in February and early March 1959, submitted their conception of the type of participation which, in their belief, fitted into the theme centers of the exposition. Originally it was thought that a Federal exhibit might be located in a theme center other than the science center. However, as work on the plan for Federal participation proceeded and the staff of the Secretary of Commerce worked with representatives of the exposition's science planning board, it became apparent that the Federal participation should be directed toward the science center activity which the exposition will emphasize. Confining the Federal activity to the world of science activity will also physically centralize the

Federal exhibits for housing and administration purposes. Therefore, all plans for nonscientific exhibits submitted by the agencies were omitted from the final plan for the Federal participation. All funds now sought are to support Federal participation. All funds now sought are to support Federal participation in the world of science area.

Coordination of the plan by the staff of the Secretary of Commerce was done in consultation with Mr. George Rothwell, representing the National Science Foundation. The President's science adviser, Dr. James R. Killian, Jr., designated Dr. Detlev Bronk and Dr. Paul Weiss to keep him informed.

After the agencies had met with members of the Secretary's staff, they submitted their plans. These submissions were then examined by the Commerce officials and the representative of the National Science Foundation. Many of the subjects contained precisely the type of materials which appear in the final plan. In some cases where more than one agency suggested the same subject matter, a decision was made as to which agency would be asked to assist and contribute to the presentation of the particular subject. Other subjects were not included in the final plan because their cost would have meant that a much greater appropriation would have to be sought, and other subjects would make it possible to represent U.S. scientific achievements effectively. As a result of this coordination work the plan presented is both scientifically accurate and coherent and is, therefore, supported by the President's science adviser.

The Federal plan is also supported by the National Science Planning Board. This Board of 20 leading U.S. scientists has made itself available to the staff of the Secretary of Commerce, and under the authority of Public Law 85-880 the Secretary's staff cooperated with that Board and officials of the exposition to integrate the Federal participation plan into the authentic U.S. presentation of science progress to the world, and particularly the nations of the Pacific Rim. The Science Planning Board members have, from the first, insisted on presenting a valid science exposition. Therefore, their endorsement of this plan supports this request for funds to create and operate it.

#### COORDINATION WITH THE DEPARTMENT OF STATE

Since many nations will be interested in the exposition, and since scientific advance is international in scope, the Department of State has an interest in the activities which are taking place at Seattle and which will be publicized throughout the world. The staff of the Secretary of Commerce, therefore, has been in close liaison with the Department of State, specifically the office of the Secretary's science adviser and the office of the Assistant Secretary for Public Affairs.

The Department of State has under study a method of inviting foreign nations to participate in the exposition in general, and foreign scientists in the science center in particular. In the latter case, the plan calls for foreign scientists to be invited to participate in specific areas of a particular science and such participation will be integrated into certain basic science exhibits. Space for the installation of their contributions in the science area will be in the U.S. building, and be completely controlled by the United States.

Thus, the plan for Federal participation has been prepared as directed by Public Law 85-880. There has been a coordination within the executive branch. Foreign policy aspects have been thoroughly considered. The executive branch has cooperated with the exposition officials and the mutual exchange of plans and ideas has helped plan both a better exposition and a better plan for Federal participation.

#### THE LIFE SCIENCES, \$1,250,000

##### *The theme*

In the area devoted to the "Life Sciences", exhibits will develop in a series of coordinated steps the major areas that biochemists and others are exploring in nature and in the processes of life. The understanding derived from years of basic scientific discovery will be projected into the future and related to the welfare of a much expanded world population in Century 21. How biology contributes to the rational choices that man can and must make today with respect to the survival of his species will be illustrated.

As an example of specific subject treatment, special emphasis will be placed on an exhibit that depicts the all-important life creating and sustaining process of photosynthesis. Herein lies the secret of life itself and undetermined sources of power—sources of power that might, in the not too distant future, dwarf present conventional and atomic sources.

The Department of Health, Education, and Welfare will present medical exhibits such as research in chemical cures for cancer, testing against new hazards in radiation and new forms of drugs. Blood and tissue will be the subjects of presentations by the Department of Defense. The Department of Agriculture will provide exhibits on the subjects of breeding and genetics. They will also demonstrate new crops and display new techniques in improving animals.

The Atomic Energy Commission will delve into radiation plus studies in biosynthetic labeling, tumor localization, and parasite eradication. In addition to its task of exhibit and theme coordination, the National Science Foundation will present exhibits in such life science subjects as growth and behavior. The NSF intends to secure the cooperation of the National Academy of Science, private foundations, and educational institutions.

#### ENERGY, \$1,490,000

##### *The theme*

The theme of the "Energy" section is man's endless search for new sources of energy. A review of his accomplishments up to 1961 will be presented. The show will then proceed rapidly from conventional power to power from fission and fusion, and to the direct conversion of nuclear power without an intervening heat cycle.

Communications will demonstrate worldwide transmission by satellite repeaters. Weather predicting techniques, such as we have never imagined, that could save billions of dollars and countless lives will be demonstrated.

The Department of Defense will play a major role in the "Energy" section. This Department intends to cover the following subjects: Power sources—atomic power package, solar energy, cosmic rays, direct-battery conversion of chemical to electric power, and shock-tube programs. Other important topics will be crystal physics, crystal and whisker growth, high pressure and unusual fabrication techniques, etc. The Atomic Energy Commission will deal in reactors—fission and fusion models plus a small power source for satellites. The National Science Foundation will contribute research in chemical engines. Saline water, hydroelectric power and metallurgy will be the principal areas of participation by the Department of the Interior. The Federal Aviation Agency has been requested to present studies in fuels and propulsion systems. The Department of Commerce will round out the display with a maritime exhibit including atomic propulsion and hydrofoils, etc.

#### MAN, \$1,705,000

##### *The theme*

Man is greatly affected by the many forces that are at play within his environment. His reaction to these forces—in the past, the present, and the future—sets the theme for the exhibit in the "Area of Man".

Here will be shown those inventions and the results of science research that have eased man's workload, provided him leisure with dignity, and with new powers to heal himself, as well as the power to destroy himself. Here the visitor will see treated in exhibit form the coming population explosion and the restless search for food as a weapon for peace. In this area it will be clearly demonstrated that out of coming generations we must discover and encourage the scientists of tomorrow.

The Department of Defense has proposed environment and reaction studies. Health, Education, and Welfare is prepared to present exhibits concerned with geriatrics, educational advances and techniques, population explosion, and urbanization. The Department of Labor will tell the story of man at work throughout the ages. Particular emphasis will be placed on automation and its effect upon the workingman and his future. New food sources will be the subject of exhibits by the Department of Agriculture. The story of the future of commerce, industry, and transportation will be told by the Department of Commerce. Conservation, fossil fuels, etc., will be the subjects of exhibits by the Department of the Interior.

The National Science Foundation will provide basic science exhibits designed to assure continuity of theme. They will also contribute scientific direction and coordination.

A high percentage of the exhibits involved will be designed to have residual value. This will be true of the other theme areas as well.

#### SPACE, \$1,539,000

##### *The theme*

Space science is no longer science fiction. Within the Federal Government the National Aeronautics and Space Administration, the Department of Defense, the National Science Foundation, and the Weather Bureau, and Bureau of Standards



of the Department of Commerce, and others, work around the clock on all phases of science problems created by man's challenge of space. Astronautical measurement, chemistry, cosmic radiation, communications, orbital mechanics, propulsion, medicine, and habitation are just a few of the problems.

The introduction to this science will be presented as an accomplishment of our Government. The National Aeronautics and Space Administration will make it possible for the visitor to see how information from satellites is transmitted for analysis in terms of its scientific significance. Such developments as have been analyzed by the time of the exposition will be included in this exhibit, stressing the significance of the satellite as an exploratory scientific tool.

Past, present, and future space vehicles and an actual 80-foot research rocket, models and demonstrations of propulsion systems will lead the visitor to a point where he can see a full-scale mock-up of the capsule in which the first men will make space exploration. The problems that will attend such exploration will be illustrated and solutions proposed.

Space research for the benefit of mankind will be demonstrated. Forecasting, and perhaps even controlling weather by efforts in space will be shown. Recent earth-bound scientific accomplishments will not be ignored. The Bureau of Standards will demonstrate nonsatellite methods of measurement of the earth's ionosphere. The National Science Foundation will present exhibits covering compilations and conclusions developing out of the International Geophysical Year and the Smithsonian Institution's proposal for astrophysical laboratories.

*Exhibit breakdown by agency*

|  | Space     | Life      | Energy    | Man       | Totals    |
|--|-----------|-----------|-----------|-----------|-----------|
| National Aeronautics and Space Administration..... | \$850,000 |           |           |           | \$850,000 |
| Department of Defense.....                         | 400,000   | \$250,000 | \$750,000 | \$110,000 | 1,510,000 |
| Department of Commerce.....                        | 29,000    |           | 80,000    | 200,000   | 309,000   |
| Department of Health, Education, and Welfare.....  |           | 235,000   |           | 420,000   | 655,000   |
| Department of Agriculture.....                     |           | 210,000   |           | 190,000   | 400,000   |
| Atomic Energy Commission.....                      |           | 250,000   | 240,000   |           | 490,000   |
| National Science Foundation.....                   | 250,000   | 305,000   | 160,000   | 200,000   | 1,005,000 |
| Department of the Interior.....                    |           |           | 110,000   | 75,000    | 185,000   |
| Federal Aviation Agency.....                       |           |           | 150,000   |           | 150,000   |
| Department of Labor.....                           |           |           |           | 420,000   | 420,000   |
| Total direct exhibit cost.....                     | 1,539,000 | 1,250,000 | 1,490,000 | 1,705,000 | 5,984,000 |
| Cost of maintenance, utilities, etc.....           |           |           |           |           | 674,228   |
| Grand total.....                                   |           |           |           |           | 6,658,228 |

The agency submissions total \$5,984,000. However, these did not include all charges such as building maintenance, utilities, and allowance for modernizing the exhibits. For the 3-year period these charges amount to \$674,228, and have been added to the agency submission which gives a total of \$6,658,228 which provides for all exhibit costs except the construction of the science hall and administrative expenses.

DEPARTMENT OF COMMERCE PARTICIPATION IN CENTURY 21 EXPOSITION

*Summary by activity, fiscal years 1960-63*

| Activity                                     | Amount      |
|--|-------------|
| 1. Exhibition hall:                          |             |
| (a) Site development and construction.....   | \$5,003,550 |
| (b) Design and supervision.....              | 200,142     |
| 2. Exhibit program.....                      | 6,658,228   |
| 3. Program direction and administration..... | 638,080     |
| Total requirements.....                      | 12,500,000  |

*Summary of obligations by object*

| Object classification                       | Fiscal year<br>1960 | Fiscal year<br>1961 | Fiscal year<br>1962 | Fiscal year<br>1963 | Total      |
|---|---------------------|---------------------|---------------------|---------------------|------------|
| 01 Personal services.....                   | \$99,970            | \$135,840           | \$179,840           | \$74,350            | \$490,000  |
| 02 Travel.....                              | 24,935              | 27,940              | 30,537              | 28,400              | 111,812    |
| 03 Transportation of things.....            | 350                 | 271,750             | 85,285              | 103,018             | 460,400    |
| 04 Communication services.....              | 1,500               | 6,000               | 6,000               | 1,500               | 15,000     |
| 05 Rents and utility services.....          | 1,080               | 63,000              | 75,925              | 61,695              | 202,300    |
| 06 Printing and reproduction.....           | 11,545              | 15,920              | 12,015              | 5,000               | 44,480     |
| 07 Other contractual services.....          | 2,797,920           | 2,168,021           | 529,758             | 898,817             | 5,892,516  |
| 08 Supplies and materials.....              | 1,310               | 9,590               | 11,925              | 8,875               | 31,700     |
| 09 Equipment.....                           | 4,600               | 6,440               | 4,960               |                     | 16,000     |
| 10 Lands and structures.....                | 5,203,692           |                     |                     |                     | 5,203,692  |
| 11 Grants, subsidies and contributions..... | 6,280               | 8,805               | 11,630              | 5,385               | 32,100     |
| Total.....                                  | 8,153,182           | 2,711,906           | 947,875             | 687,037             | 12,500,000 |

## JUSTIFICATION OF TOTAL REQUIREMENTS

*I. A. Justification of total requirements, site development and construction, building construction costs, \$5,003,550*

Although no plan for a building design is presently on the drawing boards, the story line clearly suggests to an architect a three-winged circulation plan around a central hall of man. These wings can be circles, hexagons, rectangles or any other shape, and as plans for the final building evolve, all of these elements will be studied.

For estimate purposes a triparted building consisting of three overlapping circles, each approximately 275 feet in diameter would provide areas for the life sciences, energy, and space exhibits. Another circle superimposed upon the three provides a central area for the man exhibit.

Such a building would produce a ground area of 166,785 square feet.

A columnless building with dramatic exterior and interior illumination capable of handling the anticipated peak crowd of 43,000 per day could be constructed for approximately \$30 per square foot, giving a building cost of \$5,003,550. The \$30 figure was confirmed informally by independent sources in Seattle and in New York.

*I. B. Justification of total requirements, architectural services, \$200,142*

In arriving at a fair and just fee to be paid to an architect for designing a building as has been described, a figure of 4 percent is used. The building itself is not "an exhibit" as was the case in Brussels. It has no complex requirements and should be relatively simple to develop since each of the three parts will be exactly alike. There should be no need for special consultants or additional design work, and since utilities are presently available on the site, no unusual engineering consultation should be necessary.

The total architectural fee in the construction of the American Pavilion at Brussels reflected 6 percent of the estimated cost of construction of the building. For reasons noted above, it was felt that the architectural fee in this instance should be no more than two-thirds of the Brussels figure—hence 4 percent or \$200,142.

*II. A. Justification of total requirements, exhibit program, exhibit construction and operation in Hall of Science, \$6,658,228.*

1. *Justification of total requirements, construction, \$4,458,000.*—The proposed exhibit building will provide approximately 166,785 square feet of ground area. A 20-foot-wide walkway between the basic research exhibits in the so-called core area and the technological exhibits in the rim area would leave 94,600 square feet of exhibit space on the ground floor, and 54,000 square feet in the mezzanine, or a total of 148,600 square feet of usable exhibit space. The cost of exhibit construction varies widely with the type of subject to be exhibited. It can run as high as \$90 per square foot, as it did in the International Hall of Science in Brussels, to as low as \$8 per square foot, as it did in the American pavilion at Brussels. By averaging the total square footage that will probably be assigned to the basic science exhibits, with the probable square footage assigned to the technological exhibits, a figure of approximately \$30 per square foot can be considered reasonable. The fact that this figure coincides with the cost of building construction is purely coincidental. Its use projects a cost of \$4,458,000.

2. *Justification of total requirements, design, \$312,000.*—It is believed that much of the cost of the individual design of exhibits will be borne by the private industry whose equipment will be used. Nevertheless, if the science exhibit is to have unity and be cohesive, it must adhere to an over all design concept. While this will be controlled and supervised most closely by the Federal Government staff, outside design assistance will be required. It is believed that these services can be acquired at the same percentage of construction figure which was used in Brussels. This was 7 percent and would produce a cost of \$312,000.

3. *Justification of total requirements, operation, \$1,888,223.*—(a) Contractual personal services, \$840,516: The exposition will operate 158 days in 1961, and 158 days in 1962. There will be a decelerated program during the winter months between October 15 of 1961 and May 10 of 1962.

A total of 65 persons is needed to operate the building and exhibits during the regular season. This includes 40 demonstrators, 12 guards, 6 skilled workmen, 6 cleaning personnel, and 1 nurse. At prevailing rates of pay a total of \$340,516 would be required for the 18 months by reducing the staff by 40 percent during the winter months.

The services of scientists will be needed frequently during the years 1961 and 1962. After conferring with representatives of the Atomic Energy Commission backed by Geneva experience, it was estimated that at least 25 such scientists would be required at various times for counseling, planning, demonstrations and lecturing. At the rate of \$10,000 per year, \$500,000 will be required to meet this need.

(b) Travel, \$100,812: It is estimated that 8 trips per month to Seattle may be required to Seattle for the 3-year period of operation. This includes trips by designers and scientists as well as staff personnel. If half of this travel is performed by air and half by surface, a total of \$100,812 will be required including per diem allowances.

(c) Transportation of things, \$454,000: It is anticipated that approximately 500 tons of various exhibit materials and household effects will be shipped from origins within the United States to Seattle and return. These items will include scientific electrical equipment which may require special packing, or presumably may be shipped at lower cost by air. By using the LCL rate of \$22.72 per hundredweight from Washington to Seattle, \$454,400 for the round trip transportation of things will be needed. Since many of the exhibit items will originate at points nearer Seattle than Washington, it is believed that the figure will also cover insurance.

(d) Utilities, \$197,500: There will be approximately 200 days during the winter months when it will be necessary to provide heat in the building. If we anticipate a cost of \$500 per day during this season and \$300 per day during the 316 days of regular operation, an amount of \$197,500 will be required for all utilities including water, gas and electricity.

(e) Other contractual services, \$20,000: Experience indicates that it is more efficient and less costly to contract with outside firms for certain needed services, such as landscape maintenance, uniform cleaning and repair, and others. Also, warehouse space will be required for the storage and assembly of exhibit materials prior to installation in the exhibit building. Therefore, \$20,000 has been provided to cover these costs for the 3-year life of the exposition.

(f) Building maintenance, \$25,000: It is estimated that the cost of materials and supplies for the maintenance of the building, including paint, lumber, cleaning materials and light bulbs will approximate \$25,000.

(g) Exhibit maintenance, \$50,000: Many of the exhibits in the science hall will be of a "push button" nature which invites audience participation. While this is most desirable, it also exposes the exhibit to a maximum of vandalism. In the case of delicate scientific instruments damage could be extensive and the need to replace breakage would be frequent. However, it is considered that the sum of \$50,000 for the 2-year exposure period will be sufficient.

(h) Changing exhibits and refurbishing, \$200,000: Since the purpose of the exposition is to exhibit the latest developments in many different fields of science, it is assumed that several "break-throughs" may occur during the life of the exposition. It probably will be necessary to alter certain exhibits in order to bring them up to date and to reflect scientific advancement as soon as it is made. In some cases it may even be necessary to introduce new exhibits between the fall of 1961 and the spring of 1962. The amount of \$200,000 allowed to cover this exigency will be expended only upon the advice and counsel of competent scientific authority such as the National Science Planning Board.

### III. Justification of total requirements, program direction and administration, \$638,080

A. *Personal services, \$490,000.*—This category of expense includes the Office of the Commissioner and his immediate staff, engineering personnel for construction supervision, and, later, maintenance supervision and usual administrative support costs based on the assumption that formal accounting, payrolling and personnel work would be done centrally by existing staff.

A maximum staff of 22 is proposed, with aggregate man-years of 56 over the life of the fair. This assumes full staffing for the 18 months exhibition period, with portions of the staff as required during the construction and striking phases of the operation. The assumptions on which the estimates are based are set forth below.

There would be 17 positions in the Office of the Commissioner at an approximate annual rate of \$128,500. The Office of the Commissioner includes the Commissioner, Deputy Commissioner, an Assistant for Administration, an Assistant for Scientific Exhibits, one manager for each exhibit area (four in all) and related stenographic personnel. It is contemplated that the Commissioner, his Deputy, the Assistant for Administration and the Assistant for Scientific Exhibits will be active early in fiscal year 1960, with the exhibit area managers becoming active during the construction and the operational phase of the scientific exhibits.

To provide administrative support, five positions are needed at an approximate annual rate of \$51,000. It is assumed in this estimate that official personnel functions and accounting functions would be performed by departmental facilities already available on a reimbursable basis within the Department. The type of functions provided for in this estimate would be limited to the operational and control functions necessary in a decentralized office. Because of the large number of guides provided in the exhibits estimate, it is believed that a personnel officer will be necessary to supervise such personnel and to perform necessary preliminary paperwork for local hirings and similar activities. There will also be a function of local fiscal and budgetary control, handling of local disbursements for small purchases and other budgetary and fiscal functions required at the fair site. Also included is an engineering operation which, in the early stages of the program, will include a supervisory engineer for construction of buildings and exhibits and continue during the actual operation of the fair as a chief maintenance officer, and in the later stages of the program, dismantling and striking of exhibit materials. Finally, it is contemplated that a transportation and warehousing officer will be necessary, particularly in the construction phase of the operation as exhibit materials are shipped into the fair site. This activity would also be responsible for the return shipment of exhibits upon completion of the fair.

B. *Other objects, \$148,080.*—The other objects estimates are necessarily arbitrary at this point in the development of the fair program and it will be subject to adjustment in concept as between objects as the fair program develops. All other object costs directly related to construction and shipping of exhibit materials are included in the portion of the estimate for construction of exhibits. The costs related below are, therefore, limited to support for the administrative staff.

1. *Travel, \$11,000:* The travel estimate assumes 10 round trips between Washington, D.C., and Seattle for the purpose of hearings, consultations with departmental officials, etc. All travel performed in connection with mounting of exhibits, procurement, etc., would be charged to the exhibit budget.

2. *Transportation of things, \$6,000:* This estimate is primarily for the movement of household effects to Seattle with a small provision for other types of shipments during the life of the fair.

3. *Communication services, \$15,000:* This estimate is based on a cost of \$500 per month during the 2 fiscal years during which the fair is active and \$1,500 a year for the fiscal years of the construction phase and the striking phase of the fair. This covers telephone, telegrams, and other miscellaneous costs.

4. *Rents and utilities, \$4,800:* This estimate will provide for rental of automobiles, miscellaneous office machines rentals and similar items.

5. *Printing and binding, \$44,480:* This estimate provides for informational pamphlets for the exhibit areas, printing of administrative forms, and necessary reports of the Commissioner.

6. *Other contractual services, \$12,000:* This estimate provides \$5,000 for official entertainment, \$5,000 for Federal group life insurance contributions and the balance for miscellaneous contractual requirements during the life of the fair.

7. *Supplies and materials, \$6,700:* This will provide for purely administrative supplies for the administrative staff based on an estimate for \$100 per man-year.

All costs related to the maintenance of exhibits are included in other portions of the estimate.

8. Equipment, \$16,000: It is assumed that complete furnishing of offices for the administrative staff will be necessary at a cost of approximately \$12,750. The balance of the estimate is for miscellaneous replacement equipment costs and other requirements over the life of the fair operation.

9. Contributions to the retirement fund, \$32,100: This estimate is based on 6½ percent of personal services costs.

### Program and financing

|   | Presently<br>available,<br>1960 | Revised<br>estimate,<br>1960 | Increase,<br>1960 |
|---|---------------------------------|------------------------------|-------------------|
| Program by activities:                              |                                 |                              |                   |
| 1. Exhibition hall:                                 |                                 |                              |                   |
| (a) Site development and construction.....          |                                 | \$5,003,550                  | \$5,003,550       |
| (b) Design and supervision.....                     |                                 | 200,142                      | 200,142           |
| 2. Exhibit program.....                             |                                 | 2,819,220                    | 2,819,220         |
| 3. Program direction and administration.....        |                                 | 130,270                      | 130,270           |
| Total obligations.....                              |                                 | 8,153,182                    | 8,153,182         |
| Financing: Unobligated balance carried forward..... |                                 | 4,346,818                    | 4,346,818         |
| Appropriation (new obligational authority).....     |                                 | 12,500,000                   | 12,500,000        |

### Object classification

|  | Presently<br>available,<br>1960 | Revised<br>estimate,<br>1960 | Increase,<br>1960 |
|--|---------------------------------|------------------------------|-------------------|
| Total number of permanent positions.....     |                                 | 11                           | 11                |
| Average number of all employees.....         |                                 | 10                           | 10                |
| Number of employees at end of year.....      |                                 | 11                           | 11                |
| 01 Personal services:                        |                                 |                              |                   |
| Permanent positions.....                     |                                 | \$99,145                     | \$99,145          |
| Other personal services.....                 |                                 | 825                          | 825               |
| Total personal services.....                 |                                 | 99,970                       | 99,970            |
| 02 Travel.....                               |                                 | 24,935                       | 24,935            |
| 03 Transportation of things.....             |                                 | 350                          | 350               |
| 04 Communication services.....               |                                 | 1,500                        | 1,500             |
| 05 Rents and utility services.....           |                                 | 1,080                        | 1,080             |
| 06 Printing and reproduction.....            |                                 | 11,545                       | 11,545            |
| 07 Other contractual services.....           |                                 | 2,797,920                    | 2,797,920         |
| 08 Supplies and materials.....               |                                 | 1,310                        | 1,310             |
| 09 Equipment.....                            |                                 | 4,600                        | 4,600             |
| 10 Lands and structures.....                 |                                 | 5,203,892                    | 5,203,892         |
| 11 Grants, subsidies, and contributions..... |                                 | 6,280                        | 6,280             |
| Total obligations.....                       |                                 | 8,153,182                    | 8,153,182         |

## Average salary and grade

|  | 1958 actual               | 1959 estimate            | 1960 estimate            |
|--|---------------------------|--------------------------|--------------------------|
| Average GS grade and salary.....                         |                           |                          | 11.8 \$9,734             |
|  | Presently available, 1960 | Revised estimate, 1960   | Increase, 1960           |
|  | Num- Total<br>ber salary  | Num- Total<br>ber salary | Num- Total<br>ber salary |
| Grades and ranges:                                       |                           |                          |                          |
| GS-18, \$17,500: Commissioner.....                       |                           | 1 \$17,514               | 1 \$17,514               |
| GS-16, \$14,190 to \$15,150: Deputy Commissioner.....    |                           | 1 15,163                 | 1 15,163                 |
| GS-15, \$12,770 to \$13,970: Assistant Commissioner..... |                           | 2 26,145                 | 2 26,145                 |
| GS-14, \$11,355 to \$12,555: Design specialist.....      |                           | 1 11,357                 | 1 11,357                 |
| GS-13, \$9,890 to \$11,090: Administrative officer.....  |                           | 1 9,901                  | 1 9,901                  |
| GS-11, \$7,030 to \$8,230.....                           |                           | 1 7,030                  | 1 7,030                  |
| GS-9, \$5,985 to \$6,885.....                            |                           | 1 5,990                  | 1 5,990                  |
| GS-7, \$4,980 to \$5,880.....                            |                           | 1 4,992                  | 1 4,992                  |
| GS-6, \$4,490 to \$5,390.....                            |                           | 2 8,986                  | 2 8,986                  |
| Total permanent.....                                     |                           | 11 107,078               | 11 107,078               |
| Deduct lapses.....                                       |                           | 1 7,933                  | 1 7,933                  |
| Net permanent (average number, net salary).....          |                           | 10 99,145                | 10 99,145                |
| Regular pay above 52-week base.....                      |                           | 825                      | 825                      |
| 01 Personal services.....                                |                           | 99,970                   | 99,970                   |

## PREPARED STATEMENT

Chairman HAYDEN. Mr. Moore, you may proceed.

Mr. MOORE. I have a statement, Mr. Chairman, which I would like to place in the record. I do not know that it needs to be highlighted on the basis of the amount of attention that has been given to this subject.

(The statement referred to follows:)

Mr. Chairman and members of the committee, thank you for this opportunity to appear before you at this late date to present the Department's justification estimate for U.S. participation in the Century 21 Exposition to be held in Seattle, Wash., during 1961 and 1962.

As you know, Public Law 85-880 required the President to report to the Congress at this session with respect to the most effective manner of representation of the United States at the exposition. The President designated the Department of Commerce, with the advice and counsel of the Department of State and the National Science Foundation, to act as a focal point for other departments and agencies of the Government and to prepare a proposal for Federal participation to be presented to the Congress.

Recently, this legislative proposal was approved by the U.S. Senate and the House of Representatives. Now, we are presenting the estimate of \$12.5 million for your consideration which we believe is necessary to prepare an exhibition program which will represent adequately the scientific achievements and goals of the U.S. Government.

The Federal Government action is necessarily based on the groundwork accomplished by a local community, as the Federal Government does not sponsor international expositions. In this respect, the city of Seattle and the State of Washington have laid a firm foundation to insure the success of Century 21 Exposition. In 1957 the Washington State Legislature appropriated \$7,500,000 for site acquisition and capital expenditures for the exposition. Additional funds for site acquisition and facilities to be utilized by the exposition have been made available through a \$7,500,000 bond issue voted in November 1956 by Seattle's electorate. Thus a total of \$15 million has been raised to finance the exposition.

Next, the exact location was made definite by the acquisition of 74 acres of land within 1 mile of downtown Seattle. A nonprofit corporation has been created to operate the exposition, Century 21 Exposition, Inc.

The organizers of the exposition determined that recent tremendous strides in science and future benefits to mankind should be emphasized. Since the last major fair in the United States in 1939, there have been tremendous developments in atomic science, space exploration, the biological sciences, and many others.

In March of this year, in order to satisfy ourselves that the civic leaders in the city of Seattle were enthusiastically behind this program, Mr. Miller and I went to Seattle, and while there, consulted with a group of civic leaders. At a luncheon with 16 of these men—and I have the list available if this committee wishes to examine it—I made a very positive statement that the Federal Government would not be interested in participating in the exposition unless we were sure that such an exposition would be carried on with or without Federal participation. I can assure you that these leaders to a man stated that the exposition would be carried forward. In addition, Governor Rossellini, of Washington, telephoned me from Olympia and expressed his wholehearted backing of this project, and Mayor Gordon S. Clinton, of Seattle, who attended the luncheon gave the same assurances.

In the course of cooperating with the State and city, the Federal Government has also had the cooperation of the advisory group of eminent U.S. scientists to which the Century 21 corporation has turned for advice on the scientific content of the exposition. More than 50 scientists have advised the corporation from time to time, and more than 20 are now organized into a group called the National Science Planning Board to continue to provide scientific counsel to the corporation and exhibitors. A list of members of this board is attached to this statement. Also attached is a statement of distinguished scientists endorsing the project.

#### CONTENT OF FEDERAL EXHIBITIONS

Exhibit areas are planned to excite youth and adult interest in, and promote the understanding of, four basic science areas: Life sciences, energy, man, and space. In all of these areas it is planned to secure the cooperation of the National Academy of Science, private foundations, and educational institutions.

#### THE LIFE SCIENCES

In the area devoted to the life sciences, exhibits will be developed through a series of coordinated steps to show the major fields that biochemists and other scientists are exploring in nature and in the processes of life. The understanding derived from years of basic scientific discovery will be projected into the future and related to the welfare of a much expanded world population in Century 21.

As an example of specific subject treatment, special emphasis will be placed on an exhibit that depicts the all-important life-creating and sustaining process of photosynthesis. Possibly—herein lies the secret of life itself and undetermined sources of power—sources of power that might, in the not too distant future, dwarf present conventional and atomic sources.

The Department of Health, Education, and Welfare will present medical exhibits such as research in chemical cures for cancer, testing against hazards in radiation, and development of new forms of drugs. Blood and tissue will be the subjects of presentations by the Department of Defense. The Department of Agriculture will provide exhibits on the subjects of breeding and genetics.

The Atomic Energy Commission will delve into radiation, studies in biosynthetic labeling, tumor localization, and parasite eradication. In addition to its task of exhibit and theme coordination, the National Science Foundation will present exhibits in such life science subjects as growth and behavior.

#### ENERGY

The theme of the "Energy" section is man's endless search for new sources of energy. A review of his accomplishments up to 1961 will be presented. The show will then proceed rapidly from conventional power to power from fission and fusion, and to the direct conversion of nuclear power without an intervening heat cycle.

Communications will demonstrate worldwide transmission by satellite repeaters. Weather predictions, such as we have never imagined, that might save the world billions of dollars and countless hours, will be presented.

The Department of Defense will play a major role in the "Energy" section. This Department intends to cover the following subjects: Power sources—atomic power packages, solar energy, cosmic rays, direct conversion of chemical battery to electric power, and shock tube programs. Other important topics will be crystal

physics, crystal and whisker growth, high pressure and unusual fabrication techniques, etc. The Atomic Energy Commission will deal in reactors—fission and fusion models plus a small power source for satellites. The National Science Foundation will contribute research in chemical engines. Saline water, hydroelectric power, and metallurgy will be the principal areas of participation by the Department of the Interior. The Federal Aviation Agency has been requested to present studies in fuels and propulsion systems. The Department of Commerce will round out the display with a maritime exhibit including atomic propulsion and hydrofoils, etc.

#### MAN

Man is greatly affected by the many forces that are at play within his environment. His reaction to these forces—in the past, the present, and the future—sets the theme for the exhibit in the "Area of Man."

Here will be shown those inventions and the results of science research that have eased man's workload, provided him leisure with dignity, and with new powers to heal himself, as well as the power to destroy himself. Here the visitor will see treated in exhibit form the coming population explosion and the restless search for food as a weapon for peace. In this area it will be clearly demonstrated that out of coming generations we must discover and encourage the scientists of tomorrow.

The Department of Defense has proposed environment and reaction studies. Health, Education, and Welfare is prepared to present exhibits concerned with geriatrics, educational advances and techniques, population explosion, and urbanization. The Department of Labor will tell the story of man at work throughout the ages. Particular emphasis will be placed on automation and its effect upon the workingman and his future. New food sources will be the subject of exhibits by the Department of Agriculture. The story of the future of commerce, industry, and transportation will be told by the Department of Commerce. Conservation, fossil fuels, etc., will be the subjects of exhibits by the Department of the Interior.

The National Science Foundation will provide basic science exhibits designed to assure continuity of theme. They will also contribute scientific direction and coordination.

A high percentage of the exhibits involved will be designed to have residual value. This will be true of the other theme areas as well.

#### SPACE

Space science is no longer science fiction. Within the Federal Government the National Aeronautics and Space Administration, the Department of Defense, the National Science Foundation, and the Weather Bureau and the Bureau of Standards of the Department of Commerce, and others, work around the clock on all phases of scientific problems created by man's challenge of space. Astronautical measurement, chemistry, cosmic radiation, communications, orbital mechanics, propulsion, medicine, and habitation are just a few of the subjects.

The introduction to this science will be presented as an accomplishment of our Government. The National Aeronautics and Space Administration will make it possible for the visitor to see how information from satellites is transmitted for analysis in terms of its scientific significance. Such developments as have been analyzed by the time of the exposition will be included in this exhibit, stressing the significance of the satellite as an exploratory scientific tool.

Past, present, and future space vehicles and an actual 80-foot research rocket, models and demonstrations of propulsion systems will lead the visitor to a point where he can see a full-scale mockup of the capsule in which the first men may make space exploration. The problems that will attend such exploration will be illustrated and solutions proposed.

Space research for the benefit of mankind will be demonstrated. Forecasting, and perhaps even controlling weather by efforts in space will be shown. Recent earthbound scientific accomplishments will not be ignored. The Bureau of Standards will demonstrate nonsatellite methods of measurement of the earth's ionosphere. The National Science Foundation will present exhibits covering compilations and conclusions developing out of the International Geophysical Year and the Smithsonian Institution's proposal for astrophysical laboratories.

This completes a brief review of the content of Federal exhibits in four basic science areas: life, energy, man, and space.

In closing, I would suggest that such an exhibit is most timely while many Americans are urging our youth to seek scientific careers. Further, century 21



located in an area which attracted the hardy pioneer of a relatively few years ago will be exposing to the world American progress in another kind of pioneering age.

There are many precedents for Federal participation in such an exposition and with this statement I would like to include for the record a table showing comparative costs of major international expositions in which the United States has participated from 1893 to 1959.

Again, I wish to express my appreciation for the opportunity to appear and explain the details of the exposition plan. There are several witnesses who are exceptionally competent to answer any detailed questions which you may have. The Deputy Commissioner for the Century 21 Exposition, Mr. Francis Miller, who has worked on this plan is present for further discussion.

*Comparative costs of major international expositions in which the United States has participated from 1893 to 1959*<sup>1</sup>

|   | Federal appropriations | Dollar value | Actual appropriations |
|---|------------------------|--------------|-----------------------|
| Chicago World Fair (1893)                               | \$3,350,219            | \$3.57       | \$19,132,411          |
| Louisiana Purchase Exposition, St. Louis (1904)         | 11,008,904             | 3.18         | 35,199,116            |
| Panama-Pacific Exposition (1915)                        | 1,374,000              | 2.01         | 3,027,300             |
| Chicago Century of Progress (1893-34)                   | 1,175,000              | 2.07         | 2,422,250             |
| Texas Centennial (1935-36)                              | 3,001,500              | 1.94         | 5,822,010             |
| Golden Gate International Exposition (1939-40)          | 8,050,000              | 1.60         | 14,308,305            |
| New York World Fair (1939-40)                           | 3,275,000              | 1.92         | 0,295,000             |
| U.S. Pavilion, Brussels World Fair (180 days) (1958)    | 13,500,000             | 1.00         | 13,500,000            |
| Atoms for Peace, Geneva (13 days) (1958)                | 5,000,000              | 1.00         | 5,000,000             |
| U.S. Exhibit, Moscow (12 days) (1959)                   | *3,000,520             | —            | 3,000,520             |
| Proposed Century 21 appropriation (18 months) (1961-62) | —                      | —            | 12,500,000            |

<sup>1</sup> Source: Library of Congress. Comparative dollar values U.S. Department of Commerce.

\* To date.

NOTE.—Soviet exhibit in New York estimated at \$10 million without erecting a building.

#### MEMBERS OF THE NATIONAL SCIENCE PLANNING BOARD

- Dr. Froelich Rainey, chairman; director, University of Pennsylvania Museum, Philadelphia, Pa.  
 Dr. Allen V. Astin, Director, National Bureau of Standards; Department of Commerce, Washington, D.C.  
 Dr. Detlov W. Bronk, president, Rockefeller Institute, New York, N.Y.  
 Dr. Leonard Carmichael, Secretary, Smithsonian Institution, Washington, D.C.  
 Mr. Harold J. Coolidge, National Academy of Sciences, Washington, D.C.  
 Dr. Frank Fremont-Smith, medical director, Josiah Macy, Jr., Foundation, New York, N.Y.  
 Dr. Harry F. Harlow, Department of Psychology, University of Wisconsin, Madison, Wis.  
 Dr. Donald Loughbridge, Nuclear Power Engineering Division, General Motors Technical Center, Detroit, Mich.  
 Prof. Herman Mark, Department of Chemistry, Polytechnic Institute of Brooklyn, Brooklyn, N.Y.  
 Dr. Donald H. McLaughlin, Homestake Mining Co., San Francisco, Calif.  
 Dr. Donald H. Menzel, director, Harvard Observatory, Cambridge, Mass.  
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 Dr. Gerard Piel, president and publisher, Scientific American, New York, N.Y.  
 Dr. Glenn T. Seaborg, chancellor, University of California, Berkeley, Calif.  
 Dr. Frederick Seitz, Department of Physics, University of Illinois, Urbana, Ill.  
 Dr. Henry Bradford Washburn, Jr., director, Boston Museum of Science, Boston, Mass.  
 Dr. Paul Weiss, member and professor, Rockefeller Institute, New York, N.Y.  
 Dr. Dael Wolfie, executive officer, American Association for the Advance of Science, Washington, D.C.

#### STATEMENTS OF DISTINGUISHED SCIENTISTS SUPPORTING THE EXPOSITION

"I feel that this exposition will be a major event in international scientific history."—Dr. Glenn Seaborg, chancellor of the University of California, Berkeley, Calif.

"It is my opinion that there could be no more appropriate time or place for a science exposition both in terms of the scientific prestige that such an exposition will give our country and the science stimulation that it will engender in our youth and our young adults."—Dr. Harry Harlow, University of Wisconsin, Madison, Wis.

"Century 21 offers a unique opportunity for the city of Seattle, the State of Washington and the U.S. Government together with scientific, educational, and other voluntary agencies to join hands with representatives of many nations in a magnificent effort to illustrate the ever-increasing vital role of science in human affairs."—Dr. Frank Fremont-Smith, medical director, Josiah Macy, Jr., Foundation, New York City, N.Y.

"Plans for the exposition appear to me to be progressing in a most promising way. I hope very much that the program will receive an effective measure of support. Particularly in these times, efforts of this sort arouse interest in science and help attract our most able young people to careers in these fields. I feel the expenditure of public funds is well warranted."—Dr. Donald McLaughlin, Homestake Mining Co., San Francisco, Calif.

"Nothing is more vital to America today than for the general public to understand and appreciate the significant part which science is going to play henceforth in every aspect of our lives. Almost equally important is the need to stimulate a vast cross section of our youngsters in the hope they will turn toward careers in science and engineering."—Dr. Bradford Washburn, Jr., director, Boston Museum of Science, Boston, Mass.

"The Century 21 Exposition is a most important international project. It is extremely important that we impress upon the population of the Western World the basic dependence of our way of life on scientific progress."—Dr. Donald Loughridge, Nuclear Power Engineering Division, General Motors.

"I am delighted to tell you that in my judgment the Century 21 Exposition may well develop as an organization that will have real significance in American science."—Dr. Leonard Carmichael, secretary, Smithsonian Institution, Washington, D.C.

"The public consciousness of the scientific achievements of Russia gives a peculiar popular interest in the achievements of this country. The recommendations of the National Science Planning Board will, if carried out, give a true picture of the possibilities of science and the need for increasing our own activities in the field. I am writing to ask your full support of the Century 21 Exposition."—Dr. J. C. Morris, vice president, Tulane University, New Orleans, La.

"All of us have been fascinated with the job of explaining the significance of recent scientific developments in terms of the lives of people in general and I am sure that all of us feel that the job is certainly worth doing. The more I have seen of this, the more convinced I am that recent and impending breakthroughs in research are going to revolutionize the lives of everyone. I do not think that the public is truly aware of what is happening, and I believe that the Century 21 Exposition offers an excellent opportunity to marshal our best guesses and to advise the public in general as to what we think is happening."—Dr. Froelich Rainey, Chairman, National Science Board, and director, University of Pennsylvania Museum.

#### BASIC LEGISLATION

Senator MAGNUSON. Mr. Moore, this amount the Department of Commerce is requesting is No. 1 pursuant to Public Law 85-880.

Mr. MOORE. That is correct, sir.

Senator MAGNUSON. No. 2, it has been approved by the Budget?

Mr. MOORE. By the Bureau of the Budget and forwarded by the President for this purpose of putting on a U.S. exhibit in Century 21 Exposition.

Senator MAGNUSON. And also included in your statement is the purpose, so-called theme, of the exposition which will set forth the theme and the comparative cost of similar expositions in the past, of Federal participation, and the members of the Science Planning Board that are involved and also a breakdown of the \$12,500,000, a certain percentage for the erection of the science building and the

rest for the actual expenses of participation by the various Federal agencies which include practically all of them.

Mr. MOORE. That is true, Mr. Chairman. You will find that all in our justification of this amount of money.

Senator MAGNUSON. Now, members of the committee, we have here two today with us, Mr. Dick Wall, who represents the city of Seattle's participation, and also the State Director of Conservation and Development in our State, Mr. Kreager. I wish they would come forward here. Also, Senator James Keefe, who is in the legislature and participated in the State legislative act that authorized the State participation in this matter.

Now, Senator Keefe, for the record, the State appropriated \$7½ million; is that correct?

#### CENTURY 21 EXPOSITION, SEATTLE WASH.

#### STATEMENTS OF H. DEWAYNE KREAGER, DIRECTOR, WASHINGTON STATE DEPARTMENT OF COMMERCE, SECOND ECONOMIC DEVELOPMENT; EWEN C. DINGWALL, DIRECTOR, CENTURY 21 EXPOSITION, SEATTLE, WASH., AND SENATOR JAMES KEEFE, MEMBER OF THE STATE OF WASHINGTON LEGISLATURE

##### STATUS OF PLANS FOR EXHIBITION

Mr. KEEFE. That is correct.

Senator MAGNUSON. For the State participation.

Mr. Kreager, I understand that with that money, that \$7½ million, the State is proceeding with their plans in this matter.

Mr. KREAGER. That is correct.

Senator MAGNUSON. Could you state for the record just how far those plans have proceeded?

Mr. KREAGER. Yes. I wish to say, Senator, as you know, that I have full jurisdiction, full authority, full responsibility for these funds.

##### FUNDS ALREADY COMMITTED

We have expended or committed about \$5,900,000 on the acquisition of land, on the design of the State building, or the anticipated cost of the State building.

We have about a million and a half dollars left in that fund on an uncommitted basis.

(Telegram received later appears on p. 945.)

Senator MAGNUSON. Now, the city, Mr. Dingwall, has always proceeded with its plan.

Mr. DINGWALL. That is right.

Senator MAGNUSON. In conjunction with the State?

Mr. DINGWALL. In cooperation with the State; yes, sir.

Senator MAGNUSON. How far would you say they have proceeded?

Mr. DINGWALL. The city has expended as of the end of this July 1959 on this program, \$4,600,000.

Senator MAGNUSON. These are active plans going on now and, of course, this amount, allowing Federal participation, would suggest the cooperation now of the Federal Government with the State and the city on all their plans, their joint plans.

## DESIGN OF FEDERAL BUILDING

Now, I understand also that General Services, which under their law is a consultant in these matters, has been as a preliminary matter consulting with the Department of Commerce in the design of the Federal building. Is that correct?

Mr. MOORE. That is correct, Mr. Chairman. We would probably turn over to them the sum of money necessary to build the building, but let them hire the architect and proceed with that.

Senator MAGNUSON. The reason for that being that Mr. Floete testified before the Foreign Relations Committee that under the law he has this responsibility, but the design would be in cooperation with everyone looking toward the best possible Federal use of the building at the conclusion of the exhibition.

Mr. MOORE. That is correct.

Senator MAGNUSON. Also, for the record, Mr. Dingwall, the exhibition is to begin in 1961?

Mr. DINGWALL. May 10, 1961.

Senator MAGNUSON. And would continue for how long during that year?

Mr. DINGWALL. It will continue until October of that year and then reopen the following spring in 1962 for an additional 6 months.

Senator MAGNUSON. Also, for the record, I understand, and Mr. Miller is here, who represents the Federal Government, that the State Department is in the process of sending invitations this week to the various countries, particularly the pan-Pacific and other various countries for their participation.

Mr. MILLER. That is my understanding.

Senator MAGNUSON. I think the letter is ready to go out; they have agreed to that.

## FUNDS DISBURSED TO DATE

Now, I would like to put in the record bringing up to date the money disbursed up to July 31, and a projected budget, for exhibition purposes by the State, by the city of Seattle, the State of Washington, and Century 21 Exhibition, which is a nonprofit organization created by an act of the State legislature; is that correct, Mr. Keefe?

Mr. KEEFE. Yes, Mr. Chairman.

(The information referred to follows:)

Statement showing money disbursed to July 31, 1959 for civic center and exposition purposes by City of Seattle, State of Washington, and Century 21 Exposition, Inc.

|  | Disbursed by—    |                     |                | Total            |
|--|------------------|---------------------|----------------|------------------|
|  | City of Seattle  | State of Washington | Century 21     |                  |
| <b>Administrative:</b>   |                  |                     |                |                  |
| Salaries.....  | \$32,300         | \$34,392            | \$80,824       | \$147,516        |
| Taxes.....   | 598              | 1,374               | 1,282          | 3,254            |
| Office equipment and supplies.....                                   | 7,694            | 13,768              | 9,020          | 30,382           |
| Travel.....  |                  | 3,400               | 10,664         | 14,070           |
| Publicity.....   |                  |                     | 29,104         | 29,106           |
| Colombo plan expenses.....   |                  |                     | 1,156          | 1,156            |
| Advertising consultants.....   |                  |                     | 2,750          | 2,750            |
| Insurance.....   |                  |                     | 539            | 539              |
| Legal fees.....  |                  |                     | 651            | 651              |
| Consultants fees.....  |                  |                     | 17,350         | 17,350           |
| Interest.....  |                  |                     | 11             | 11               |
| Washington, D.C. office expense.....                                 |                  |                     | 3,359          | 3,359            |
| <b>Architectural services:</b>                                       |                  |                     |                |                  |
| Salaries.....  | 17,823           | 15,090              |                | 32,913           |
| Travel.....  | 1,455            | 42                  |                | 1,497            |
| Surveys and blueprints.....  | 5,580            | 3,275               |                | 8,855            |
| Supplies.....  | 1,371            | 776                 |                | 2,147            |
| Consultants and architects.....                                      | 22,773           | 44,296              |                | 67,069           |
| Stanford Research Institute.....                                     |                  | 14,041              |                | 14,041           |
| National Science Advisory Board Meetings.....                        |                  |                     | 10,041         | 10,041           |
| <b>Total.....</b>  | <b>89,444</b>    | <b>130,460</b>      | <b>166,753</b> | <b>386,657</b>   |
| <b>Property acquisition:</b>   |                  |                     |                |                  |
| Bond expense.....  | 7,620            |                     |                | 7,620            |
| Appraisals.....  | 40,053           | 16,598              |                | 56,653           |
| Demolition expense.....  | 24,455           |                     |                | 24,455           |
| Legal fees.....  |                  | 28,877              |                | 28,877           |
| Legal expense.....   |                  | 1,715               |                | 1,715            |
| Land purchased.....  | 80,000           |                     |                | 80,000           |
| Condemnation.....  | 4,371,938        | 1,540,346           |                | 5,912,284        |
| <b>Total.....</b>  | <b>4,624,068</b> | <b>1,587,536</b>    |                | <b>6,211,604</b> |
| <b>Department of Commerce and Economic Development's charge.....</b> |                  | <b>27,374</b>       |                | <b>27,374</b>    |
| <b>Total.....</b>  | <b>4,613,512</b> | <b>1,745,370</b>    | <b>166,753</b> | <b>6,525,635</b> |

(Projected budget appears on p. 945.)

#### CONFERENCE ON AUTHORIZATION BILL

Senator MAGNUSON. Now, the Senate passed the bill on Friday. The House passed the bill also last week on Monday or Tuesday. There are some differences in the two bills of a minor nature. I want the record to show that the chairman of the House committee, Congressman Brooks, called me yesterday and the conference on the bill, amendments to the original act which passed a year ago authorizing this, will probably be held this week.

So that the complete matter of the amendments to the original authorization act will be taken care of before the week is out.

Senator CHAVEZ. Does the bill authorize a certain amount?

Senator MAGNUSON. The Budget went over it very carefully and the Cabinet took very great interest in this matter and, of course, the scientific foundation and the scientific people because the theme will be a great scientific showcase. They went over it carefully. They came up with a figure of \$12½ million. That is their request which they put in the House bill.

#### SENATE BILL

In the Senate bill the Foreign Relations Committee, being very cognizant of the budget figure of \$12½ million, for the purpose of discussion in case you did not get it exactly to the dollar, stated:

There are hereby authorized to be appropriated, to remain available until expended, such sums as may be necessary to carry out the provisions of this act, including participation in the exposition.

My colleague from the State of Washington is here, who is a joint cosponsor of the original bill which Congress passed last year authorizing it.

Senator JACKSON. At the time that the amendment was placed in the authorizing bill, the bill that amended the act passed last year, the budget figure had not been submitted.

Mr. MOORE. That is correct.

Senator JACKSON. The committee was not certain, as I understand the record, as to how much should be authorized so they left the amount blank.

Mr. Chairman, I just wanted to say, and I have to leave in a moment, that I think that the presentation here this morning is in complete compliance with the points raised by the Senate Foreign Relations Committee.

The committee wanted a detailed justification of the amount to be spent and Mr. Moore's statement with the justification certainly carries out the mandate of the committee and the discussion which occurred on the floor of the Senate.

I merely want to associate myself with the chairman here this morning in supporting the request by the Department of Commerce which, as I understand, is at the specific request of the President and is in accord with his program.

Senator MAGNUSON. I think the record also should show, so there is no question about this, that the Senate bill with which we are all in agreement, provides that approximately 6½ acres of this very valuable land, which is right near downtown, would be conveyed to the Federal Government in fee.

#### HOUSE BILL

The House bill provided it could be conveyed in fee or leased, whichever would be in the best interest of the Government and the General Services Administration.

That maybe will have to be ironed out, but it is the intention of all of us here to see that the Federal Government has the land not only in fee, if possible, but Mr. Floete thought that he wanted to have it a

little more flexible as to what he could use it for, that matter will have to be ironed out.

Everybody feels for this participation the Federal Government should have the land for all intents and purposes for their use if it is in the best interest of the Government when the exhibition is over.

#### VALUE TO GOVERNMENT AFTER EXPOSITION

The Director of General Services Administration, Mr. Floete, testified at some length that he thought there could be one of several uses for the Government and it would be well worthwhile because we do still, in the Seattle area, rent 380,000 square feet now of space of permanent Government installations that are there.

And this would not even take care of that. So we do have that purpose. He has that purpose in mind.

I do not know of anything further to be added to the record than that.

I had the representatives of the State invited here and of the city and a member of the legislature, so that if anybody had any questions they could speak of their own knowledge of what has been done on this matter. It has been in the mill for a long time.

There has been a lot of hard work put in on it throughout the community, the whole Pacific Northwest, as a matter of fact. It is not just one of these things that happened overnight.

As the Senator from New Mexico knows, it would never have gone through the Budget with this atmosphere unless there were some well-calculated and well-thought-out plans.

Senator BIBLE. May I ask a question, Mr. Chairman?

Senator MAGNUSON. Yes.

#### ESTIMATED TOTAL COST OF FEDERAL BUILDING

Senator BIBLE. What is the estimated total cost of the building to be built on this site?

Senator MAGNUSON. I think in round figures it is around \$5 million; \$7 million is for the departments for the expense of participation.

We just had the Federal Aviation Agency here. They will be participating. The National Science Foundation, the National Academy of Science, the Department of Commerce, the Bureau of Standards. That is for the total participation.

Of course, there is ample precedent for this. We have done it on many, many occasions.

The Commerce Department has broken down the amounts in the past.

Senator BIBLE. I do not know if that answer is completely responsive to my question.

What is the total cost of the building to be placed on this particular property? You say it is \$5 million?

Mr. MOORE. Approximately \$5 million as an estimate. We only have estimates.

Senator BIBLE. Do I understand correctly that at the end of the exposition that that building becomes the property of the U.S. Government?

Senator MAGNUSON. That is right.

Senator BIBLE. Is there any other property in addition that becomes the property of the U.S. Government?

Senator MAGNUSON. The land; 6½ acres, more or less, which is a very valuable piece of land.

Senator BIBLE. That would be subject to such use as GSA might indicate?

Senator MAGNUSON. Yes. And GSA so testified.

Senator CHAVEZ. Now, they are renting a lot of property in Seattle and all over the country. If they get this building there will be this much rent less.

Senator MAGNUSON. Or if they decide to use it for other purposes.

Senator BIBLE. It appears to me that this is a worthwhile project. In addition, from the dollars and cents standpoint, the Federal Government is going to gain in the long run by taking this course of action.

Mr. MOORE. We feel that way, too, Senator.

Senator CHAVEZ. Generally they want Uncle Sam to buy it.

#### SENATE REPORT

Senator MAGNUSON. I would like to put in the record the full Senate report which sets forth all the legislation and the letter from the President of the United States recommending very strongly this appropriation.

(The report referred to follows:)





## CENTURY 21 EXPOSITION AT SEATTLE

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AUGUST 12, 1959.—Ordered to be printed

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Mr. FULBRIGHT, from the Committee on Foreign Relations, submitted the following

## REPORT

[To accompany S. 2065]

The Committee on Foreign Relations, having had under consideration S. 2065, a bill to amend Public Law 85-880, and for other purposes, and having considered the same, report S. 2065, with amendments, and recommend that it do pass.

## 1. MAIN PURPOSE

S. 2065, with the committee amendments, will make the following changes in the present law: (1) the name of the fair is changed from "World Science-Pan Pacific Exposition" to "Century 21 Exposition"; (2) the authority to incur expenses is clarified; (3) the authority to hire consultants at not to exceed \$50 per diem is granted; (4) such sums as may be necessary to carry out the provisions of the act are authorized to be appropriated; and (5) 6½ acres or more of land will be conveyed to the United States in fee simple and, in the design and construction of a building or buildings to be erected on this land to house the U.S. exhibit, consideration will be given to their utility for governmental purposes and needs after the close of the exposition.

## 2. BACKGROUND

Public Law 85-880, approved September 2, 1958, to provide for participation of the United States in the World Science-Pan Pacific Exposition to be held at Seattle, Wash., in 1961, and for other purposes, authorized the President, through an executive department or independent agency designated by him, to cooperate with the Washington State World Fair Commission and to recommend the extent to which the United States should be a participant and an exhibitor at the World Science-Pan Pacific Exposition. The President was also authorized to invite the several States of the Union and foreign countries to take part in the exposition, provided that no Communist

de facto government holding any people of the Pacific rim in subjugation be invited to attend. Finally, the President was directed to report to Congress in 1959 with respect to (1) the most effective manner of representation of the United States at the exposition, taking into account the avoidance of undue competition among governments, and (2) the amount of appropriations which would be necessary to accomplish such representation.

This report was submitted to the Congress by the President on May 21, 1959, and on May 28 a letter was received from the Under Secretary of Commerce, transmitting a draft of proposed legislation.

The report and letter are printed in the appendix of this report.

### 3. COMMITTEE ACTION

Senator Magnuson (for himself and Senator Jackson) introduced S. 2065 on May 28, 1959. At a public hearing on June 16, 1959, the committee heard the following witnesses in support of the bill: Senator Jackson, Senator Magnuson, the Honorable Frederick H. Mueller, then Under Secretary of Commerce, and Francis D. Miller, Deputy Commissioner, Century 21 Exposition. Further consideration was postponed until an executive session on July 21, 1959, at which time the committee decided to obtain testimony from the General Services Administration with respect to Federal control over the design and future disposition of any buildings to be erected with Federal funds. Such testimony was given in public session on July 28, 1959, by the Honorable Franklin Floete, Administrator, General Services Administration.

On August 11, 1959, the committee by a vote of 11 to 2 agreed to report the bill favorably to the Senate with amendments.

A similar bill, H.R. 8374, was reported to the House on August 3, 1959.

### 4. COST

In the report submitted by the President, the costs to the Federal Government are estimated as follows:

| <i>For fiscal years 1960, 1961, 1962, 1963</i> |                                     |
|--|-------------------------------------|
| <i>Activity</i>                                | <i>Total estimated requirements</i> |
| I. Construction costs:                         |                                     |
| A. Site development and construction.....      | \$5,003,550                         |
| B. Architectural services.....                 | 200,142                             |
| II. Exhibit program:                           |                                     |
| A. Hall of Science.....                        | 6,658,228                           |
| III. Administration:                           |                                     |
| A. Personal services.....                      | 490,000                             |
| B. Other.....                                  | 148,080                             |
| Total requirements.....                        | 12,500,000                          |

The committee gave serious consideration to amending the bill so as to provide for the appropriation of not to exceed \$12,500,000 instead of "such sums as may be necessary." In the end it decided against such action in view of the amendment proposed in section 2 to section 3, clause (3) of the existing law, which is discussed below.

## 5. CONVEYANCE OF LAND AND ERECTION OF BUILDINGS

The committee devoted considerable attention to the question of ownership of the land and the design and future use of any buildings to be erected on this land.

Public Law 85-880 provided authority to—

erect such buildings and other structures as may be necessary for United States participation in the exposition, *on land owned by the State of Washington or by any local government of such State or any political subdivision or instrumentality of either \* \* \** [Emphasis supplied.]

The amendment recommended by the committee to this section would substitute authority to—

erect such buildings and other structures as may be appropriate for the United States participation in the Exposition *on land (six and one half acres or more and including land necessary for ingress and egress) conveyed to the United States in fee simple and free and clear of liens and encumbrances, in consideration of the participation by the United States in the exposition, and without other consideration.* [Emphasis supplied.]

The land concerned, according to testimony received by the committee, lies close to downtown Seattle and has considerable value. The committee believes that conveyance of this land to the Federal Government in consideration for participation in the exposition is a realistic proposal.

The committee also gave careful attention to the design and utility of the building or buildings to be erected by the Federal Government on the land. The administration's tentative—and very preliminary—proposal was for a permanent exhibition hall to be built at a cost of about \$5 million. However, the Administrator of the General Services Administration, Mr. Floete, testified to the great need for additional Federal office buildings in Seattle. The committee, therefore, recommends that the following language be included in the new clause (3) of section 3:

*In the design and construction of such buildings and other structures consideration, including consultation with the General Services Administration, shall be given to their utility for governmental purposes and needs after the close of the exposition.* [Emphasis supplied.]

It was the view of the committee that an attempt should be made to design a structure or structures to serve two purposes: to house a Federal exhibit at the Century 21 Exposition and to provide for additional Federal office facilities. It was further the view of the committee that, should it not be feasible to design a building or buildings to serve these two purposes, consideration should be given to the erection of a temporary exhibition hall, at much less than the estimated cost of a permanent structure.

It was for this reason that the committee decided to recommend the appropriation of "such sums as may be necessary." It is the expectation of the committee, that after a design is agreed upon by the executive agencies concerned, detailed plans and estimates will be submitted to the Appropriations Committees of the Senate and the House of Representatives and this matter can again be reviewed by the Congress.

#### 6. RECOMMENDATION

There are many precedents for Federal participation in such an exposition as the table below shows:

*Comparative costs of major international expositions in which the United States has participated from 1893 to 1959*

|  | Federal<br>appropriations | Dollar<br>value | Actual<br>appropriations |
|--|---------------------------|-----------------|--------------------------|
| Chicago World Fair (1893).....                               | \$5,359,219               | \$3.67          | \$19,132,411             |
| Louisiana Purchase Exposition, St. Louis (1904).....         | 11,068,904                | 3.19            | 35,193,115               |
| Panama-Pacific Exposition (1915).....                        | 1,374,000                 | 2.64            | 3,627,363                |
| Chicago Century of Progress (1933-34).....                   | 1,175,000                 | 2.07            | 2,422,250                |
| Texas Centennial (1935-36).....                              | 3,001,500                 | 1.94            | 5,822,910                |
| Golden Gate International Exposition (1939-40).....          | 8,655,600                 | 1.68            | 14,308,395               |
| New York World Fair (1939-40).....                           | 3,275,000                 | 1.92            | 6,285,000                |
| U.S. pavilion, Brussels World Fair (180 days) (1958).....    | 13,500,000                | 1.00            | 13,500,000               |
| Atoms for peace, Geneva (13 days) (1958).....                | 5,000,000                 | 1.00            | 5,000,000                |
| U.S. exhibit, Moscow (42 days) (1959).....                   | 3,000,529                 |                 |                          |
| Proposed Century 21 appropriation (18 months) (1961-62)..... |                           |                 | 12,500,000               |

NOTE.—Soviet exhibit in New York estimated at \$10,000,000 without erecting a building.

Source: Library of Congress. Comparative dollar values: U.S. Department of Commerce.

The committee therefore urges favorable action on S. 2065 with the amendments recommended by the committee.

#### 7. CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

Public Law 85-880

85th Congress, S. 3680

September 2, 1958

AN ACT To provide for participation of the United States in the World Science-Pan Pacific Exposition to be held at Seattle, Washington, in 1961, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the President, through an executive department or independent agency designated by him, shall cooperate with the Washington State World Fair Commission with respect to, and determine the extent to which the United States shall be a participant and an exhibitor at, the World Science-Pan Pacific Exposition now known as *Century 21 Exposition* (hereafter in

this Act referred to as the "exposition") which is being held at Seattle, Washington, in [1961] 1961 and 1962. The purposes of such exposition are to—

(1) commemorate the centennial of the physical fixing of the boundary line between the United States of America and Canada,

(2) depict the role of science in modern civilization, and

(3) exhibit the varied cultures of the nations of the Pacific Rim.

The President is authorized, by proclamation or in such other manner as he may deem proper, to invite the several States of the Union and foreign countries to take part in the exposition: *Provided*, That no Communist de facto government holding any people of the Pacific Rim in subjugation be invited to participate.

SEC. 2. There shall be in the designated department or independent agency a Commissioner for the exposition who shall be appointed by the President by and with the advice and consent of the Senate, and who shall receive compensation at the rate of \$17,500 per annum. The head of the designated department or independent agency shall prescribe the duties of the Commissioner and may delegate such powers and duties to him as are deemed advisable in order to carry out this Act.

SEC. 3. In carrying out the provisions of this Act, the head of the designated department or independent agency may—

(1) appoint, without regard to the civil-service laws and the Classification Act of 1949, such persons as he deems to be necessary to carry out the provisions of this Act, except that no person appointed under this paragraph shall receive compensation from the United States at a rate in excess of that received by persons under the Classification Act of 1949 for performing comparable duties;

(2) enter into such contracts as may be necessary to provide for United States participation in the exposition;

[(3) erect such buildings and other structures as may be necessary for United States participation in the exposition, on land owned by the State of Washington or by any local government of such State or any political subdivision or instrumentality of either: *Provided*, That all laborers and mechanics employed by contractors or subcontractors in the performance of work on such buildings and other structures shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Bacon-Davis Act, as amended (40 U.S.C., sec. 276a-276a-5);]

(3) *erect such buildings and other structures as may be appropriate for the United States participation in the exposition on land (six and one-half acres or more and including land necessary for ingress and egress) conveyed to the United States in fee simple and free and clear of liens and encumbrances, in consideration of the participation by the United States in the exposition, and without other consideration. In the design and construction of such buildings and other structures consideration, including consultation with the General Services Administration, shall be given to their utility for governmental purposes and needs after the close of the exposition.*

(4) purchase books of reference, newspapers, and periodicals;

[(5) incur such other expenses as may be necessary to carry out the purposes of this Act; and]

(5) incur such other expenses as may be necessary to carry out the purposes of this Act, including but not limited to expenditures involved in the selection, purchase, rental, construction, and other acquisition of exhibits and materials and equipment therefor and the actual display thereof, and including but not limited to related expenditures for costs of transportation, insurance, installation, safe-keeping, maintenance and operation, rental of space, and dismantling;

(6) accept any gifts, loans, donations, or devices to be used in carrying out the provisions of this Act. ] ; and

(7) procure services as authorized by the Act of August 2, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$50 per diem.

SEC. 4. The head of each department, agency, or instrumentality of the Federal Government is authorized—

(1) to cooperate with the head of the designated department or independent agency with respect to United States participation in the exposition, and

(2) to make available to the head of the designated department or independent agency, from time to time, on a reimbursable basis, such personnel as may be necessary to assist the designated department or independent agency in carrying out its functions under this Act.

SEC. 5. (a) The President shall report to the Congress during the first regular session of Congress which begins after the date of enactment of this Act with respect to (1) the most effective manner of representation of the United States at the exposition, taking into account the avoidance of undue competition among governments, and (2) the amount of appropriations which are necessary to accomplish such representation.

(b) The President shall report to the Congress within six months after the date of the official close of the exposition on the activities of the Federal Government pursuant to this Act, including a detailed statement of expenditures. Upon transmission of such report to the Congress, all appointments made under this Act shall terminate.

SEC. 6. After the close of the exposition, all property purchased or erected with funds provided pursuant to this Act shall be disposed of in accordance with the Federal Property and Administrative Services Act of 1949, and other applicable Federal laws relating to the disposition of excess and surplus property.

[SEC. 7. There are hereby authorized to be appropriated not to exceed \$125,000 to carry out the provisions of this Act.]

SEC. 7. (a) There are hereby authorized to be appropriated, to remain available until expended, such sums as may be necessary to carry out the provisions of this Act, including participation in the exposition.

SEC. 8. The functions authorized in this Act may be performed without regard to the prohibitions and limitations of the following laws: section 8648, Revised Statutes, as amended (31 U.S.C. 529); section 3735, Revised Statutes (41 U.S.C. 13).

Approved September 2, 1958.

## APPENDIX

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### APPENDIX I: MESSAGE FROM THE PRESIDENT TRANSMITTING A REPORT ON THE CENTURY 21 EXPOSITION

*To the Congress of the United States:*

Pursuant to the provisions of Public Law 85-880, providing for participation of the United States in the World Science Pan-Pacific Exposition to be held at Seattle, Wash., in 1961, I am transmitting herewith the report under section 5(a) of that act.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, May 21, 1959.

#### PLAN FOR U.S. PARTICIPATION AND EXHIBITION AT THE WORLD SCIENCE PAN-PACIFIC EXPOSITION (CENTURY 21 EXPOSITION)

In accordance with Public Law 85-880 the President designated the Department of Commerce as the executive department to consult with other departments, agencies, and instrumentalities with respect to their plans and recommendations for their participation in the exposition to be held at Seattle. The plan now presented represent an integration of their suggestions into an exhibition program that is scientifically sound and will be the most effective manner of representation of the United States at the exposition. An appropriation request will be submitted to the Congress to implement the plan now presented.

Any Federal participation in the exhibition is based entirely upon the achievement of the people of the State of Washington and the city of Seattle to bring the exposition into being through their work in conceiving, organizing and financing it. They have determined the threefold purpose of the exposition—commemorating the centennial of the physical fixing of the boundary line between the United States and Canada, depicting the role of science in modern civilization and exhibiting the varied cultures of the nations of the Pacific rim. Theirs, too, has been the decision to emphasize science in a section of the exposition which will be known as the World of Science.

In 1956 and 1957 the State and city put their planning for a major international exposition on a firm fiscal basis when they appropriated \$15 million. Next, the exact location was made definite by the acquisition of 74 acres of land close to downtown Seattle. A nonprofit corporation has been created to operate the exposition. It is Century 21 Exposition, Inc., and the exposition's name has been shortened to Century 21 Exposition.

The organizers of the exposition have also determined that recent tremendous strides in science and future benefits to mankind should be emphasized in the exposition. Since the last major fair in the United States in 1939, there have been important developments in

atomic science, space exploration, the biological sciences, and many others. The exposition will devote nearly one-third of its space to scientific progress in the World of Science theme area.

In the course of cooperating with the State and city, the Federal Government has also had the cooperation of the advisory group of eminent U.S. scientists to which the Century 21 Corp. has turned for advice on the scientific content of the exposition. More than 50 scientists have advised the corporation from time to time and more than 20 are now organized into a group called the National Science Planning Board to continue to provide scientific counsel to the corporation and exhibitors. The following are members of this board: Dr. Froelich Rainey, Chairman; director, University of Pennsylvania Museum, Philadelphia, Pa.

Dr. Allen V. Astin, Director, National Bureau of Standards, Department of Commerce, Washington, D.C.

Dr. Detlov W. Bronk, president, Rockefeller Institute, New York, N.Y.

Dr. Leonard Carmichael, Secretary, Smithsonian Institution, Washington, D.C.

Harold J. Coolidge, National Academy of Sciences, Washington, D.C.

Dr. Frank Fromont-Smith, medical director, Josiah Macy, Jr., Foundation, New York, N.Y.

Dr. Harry F. Harlow, Department of Psychology, University of Wisconsin, Madison, Wis.

Dr. Donald Loughridge, Nuclear Power Engineering Division, General Motors Technical Center, Detroit, Mich.

Prof. Herman Mark, Department of Chemistry, Polytechnic Institute of Brooklyn, Brooklyn, N.Y.

Dr. Donald H. McLaughlin, Homestake Mining Co., San Francisco, Calif.

Dr. Donald H. Menzel, director, Harvard Observatory, Cambridge, Mass.

Dr. J. C. Morris, vice president, Tulane University, New Orleans.

Dr. Hans Neurath, professor and executive officer, Department of Biochemistry, University of Washington, Seattle, Wash.

Dr. Gerard Piel, president and publisher, Scientific American, New York, N.Y.

Dr. Glenn T. Seaborg, chancellor, University of California, Berkeley, Calif.

Dr. Frederick Seitz, Department of Physics, University of Illinois, Urbana, Ill.

Dr. Henry Bradford Washburn, Jr., director, Boston Museum of Science, Boston, Mass.

Dr. Paul Weiss, member and professor, Rockefeller Institute, New York, N.Y.

Dr. Dael Wolfe, executive officer, American Association for the Advancement of Science, Washington, D.C.

Many of the members of this board have worked with, and have the respect of, the departments and agencies of Government in various science fields. There has been a useful exchange of ideas between them and the agencies with the result that the agencies now present plans for participation which will be integral parts of the science theme and will produce an effective representation for the United States as desired by the Congress.



## CONTENT OF FEDERAL EXHIBITIONS

With the cooperation of the National Science Foundation, introductory areas will be created for the Federal exhibits in order to make initial presentations in each field of science. These areas are planned to excite youth and adult interest in, and promote the understanding of, the four basic science areas: Life sciences, energy, man, and space.

## THE LIFE SCIENCES

In the area devoted to the life sciences, exhibits will develop in a series of coordinated steps, the major areas that biochemists and others are exploring in nature and in the processes of life. The understanding derived from years of basic scientific discovery will be projected into the future and related to the welfare of a much-expanded world population in Century 21. How biology contributes to the rational choices that man can and must make today with respect to the survival of his species will be illustrated.

As an example of specific subject treatment, special emphasis will be placed on an exhibit that depicts the all-important life-creating and sustaining process of photosynthesis.

The Department of Health, Education, and Welfare will present medical exhibits such as research in chemical cures for cancer, testing against new hazards in radiation, and new forms of drugs. Blood and tissue will be the subjects of presentations by the Department of Defense. The Department of Agriculture will provide exhibits on the subjects of breeding and genetics. They will also demonstrate new crops and display new techniques in improving animals.

The Atomic Energy Commission will delve into radiation plus studies in biosynthetic labeling, tumor localization, and parasite eradication. In addition to its task of exhibit and theme coordination, the National Science Foundation will present exhibits in such life science subjects as growth and behavior. The NSF intends to secure the cooperation of the National Academy of Science, private foundations, and educational institutions.

## ENERGY

The theme of the "energy" section is man's endless search for new sources of energy. A review of his accomplishments up to 1961 will be presented. The show will then proceed rapidly from conventional power to power from fission and fusion, and to the direct conversion of nuclear power without an intervening heat cycle.

Communications will demonstrate worldwide transmission by satellite repeaters. Weather predicting techniques, such as we have never imagined, that could save billions of dollars and countless lives, will be demonstrated.

The Department of Defense will play a major role in the "energy" section. This Department intends to cover the following subjects: Power sources—atomic power package, solar energy, cosmic rays, direct battery conversion of chemical to electric power, and shock tube programs. Other important topics will be crystal physics, crystal and whisker growth, high pressure and unusual fabrication techniques, etc. The Atomic Energy Commission will deal in reactors—fission and fusion models plus a small power source for satellites.

The National Science Foundation will contribute research in chemical engines. Saline water, hydroelectric power, and metallurgy will be the principal areas of participation by the Department of Interior. The Federal Aviation Agency has been requested to present studies in fuels and propulsion systems. The Department of Commerce will round out the display with a maritime exhibit including atomic propulsion and hydrofoils, etc.

#### MAN

Man is greatly affected by the many forces that are at play within his environment. His reaction to these forces—in the past, the present, and the future—sets the theme for the exhibit in the "area of man."

Here will be shown those inventions and the results of science research that have eased man's workload, provided him leisure with dignity, and with new powers to heal himself, as well as the power to destroy himself. Here the visitor will see treated in exhibit form the coming population explosion and the restless search for food as a weapon for peace. In this area it will be clearly demonstrated that out of coming generations we must discover and encourage the scientists of tomorrow.

The Department of Defense has proposed environment and reaction studies. Health, Education, and Welfare is prepared to present exhibits concerned with geriatrics, educational advances and techniques, population explosion, and urbanization. The Department of Labor will tell the story of man at work throughout the ages. Particular emphasis will be placed on automation and its effect upon the working man and his future. New food sources will be the subject of exhibits by the Department of Agriculture. The story of the future of commerce, industry, and transportation will be told by the Department of Commerce. Conservation, fossil fuels, etc., will be the subjects of exhibits by the Department of Interior.

The National Science Foundation will provide basic science exhibits designed to assure continuity of theme. They will also contribute scientific direction and coordination.

A high percentage of the exhibits involved will be designed to have residual value. This will be true of the other theme areas as well.

#### SPACE

Space science is no longer science fiction. Within the Federal Government the National Aeronautics and Space Administration, the Department of Defense, the National Science Foundation, and the Weather Bureau, and the Bureau of Standards of the Department of Commerce, and others, work around the clock on all phases of science problems created by man's challenge of space. Astronautical measurement, chemistry, cosmic radiation, communications, orbital mechanics, propulsion, medicine, and habitation are just a few of the problems.

The introduction to this science will be presented as an accomplishment of our Government. The National Aeronautics and Space Administration will make it possible for the visitor to see how information from satellites is transmitted for analysis in terms of its scientific

significance. Such developments as have been analyzed by the time of the exposition will be included in this exhibit, stressing the significance of the satellite as an exploratory scientific tool.

Past, present, and future space vehicles and an actual 80-foot research rocket, models and demonstrations of propulsion systems will lead the visitor to a point where he can see a full-scale mockup of the capsule in which the first American man will make space exploration. The problems that will attend such exploration will be illustrated and solutions proposed.

Space research for the benefit of mankind will be demonstrated. Forecasting, and perhaps even controlling weather by efforts in space will be shown. Recent earthbound scientific accomplishments will not be ignored. The Bureau of Standards will demonstrate non-satellite methods of measurement of the earth's ionosphere. The National Science Foundation will present exhibits covering compilations and conclusions developing out of the International Geophysical Year and the Smithsonian Institution's proposal for astrophysical laboratories.

#### COST ESTIMATES OF THE FEDERAL PLAN

In order to house, construct, and operate the Federal exhibits as herein described, cost estimates have been made as follows:

| <i>For fiscal years 1960, 1961, 1962, 1963</i> |                                     |
|--|-------------------------------------|
| <i>Activity</i>                                | <i>Total estimated requirements</i> |
| I. Construction costs:                         |                                     |
| A. Site development and construction.....      | \$5, 003, 550                       |
| B. Architectural services.....                 | 200, 142                            |
| II. Exhibit program:                           |                                     |
| A. Hall of Science.....                        | 6, 058, 228                         |
| III. Administration:                           |                                     |
| A. Personal services.....                      | 400, 000                            |
| B. Other.....                                  | 148, 080                            |
| <b>Total requirements.....</b>                 | <b>12, 500, 000</b>                 |

#### APPENDIX II. LETTER FROM THE UNDER SECRETARY OF COMMERCE

THE SECRETARY OF COMMERCE,  
*Washington, D.C., May 28, 1959.*

THE PRESIDENT OF THE SENATE,  
*U.S. Senate, Washington, D.C.*

DEAR MR. PRESIDENT: There are enclosed four copies of a draft of legislation, to amend Public Law 85-880, and for other purposes, together with a statement of justification therefor.

The Department of Commerce urges early enactment of this legislation in order that the exhibits of the Federal Government may be ready at the time the exposition opens on May 10, 1961.

The Bureau of the Budget has advised that there would be no objection to the submission of this legislation to the Congress.

Sincerely yours,

FREDERICK H. MUELLER,  
*Under Secretary of Commerce.*

## A BILL To amend Public Law 85-880, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

The first sentence of section 1 of the Act of September 2, 1958 (Public Law 85-880; 72 Stat. 1703) is hereby amended as follows:

"(a) After the phrase, 'World Science—Pan Pacific Exposition', insert 'now known as Century 21 Exposition'.

"(b) Strike '1961' and insert in lieu thereof '1961 and 1962'."

SEC. 2. Clause (5) of section 3 of said Act is hereby amended to read as follows:

"(5) incur such other expenses as may be necessary to carry out the purposes of this Act, including but not limited to expenditures involved in the selection, purchase, rental, construction, and other acquisition of exhibits and materials and equipment therefor and the actual display thereof, and including but not limited to related expenditures for costs of transportation, insurance, installation, safekeeping, maintenance and operation, rental of space, and dismantling; and."

Add a clause (7) to section 3 of said act as follows:

"(7) procure services as authorized by the Act of August 2, 1946 (5 U.S.C. 55a) but at rates for individuals not to exceed \$100 per diem."

SEC. 3. Section 7 of said act is hereby amended to read as follows, and a new section 8 is added to said act, all reading as follows:

"SEC. 7. There are hereby authorized to be appropriated, to remain available until expended, such sums as may be necessary to carry out the provisions of this Act, including participation in the exposition.

"SEC. 8. The functions authorized in this Act may be performed without regard to the prohibitions and limitations of the following laws: Section 3648, Revised Statutes, as amended; (31 U.S.C. 529); Section 3735 Revised Statutes, (41 U.S.C. 13)."

JUSTIFICATION FOR PROPOSED AMENDMENTS TO ENABLING ACT  
(PUBLIC LAW 85-880)

In enacting Public Law 85-880 Congress contemplated that Federal participation in the World Science-Pan Pacific Exposition (hereafter referred to as the "exposition") would consist of two stages, (1) preparatory, and (2) actual participation. Accordingly, the act provides, in section 1, that the President determine the extent to which the United States shall be participant and, in section 5(a), report to the current Congress (a) the most effective manner of representation, and (b) the amount of appropriations necessary to accomplish such representation. Section 7 of the act authorized an appropriation not to exceed \$125,000 which was contemplated to be used for setting up an initial staff and making necessary surveys (H. Rept. 2561, 85th Cong., 2d sess.).

Section 3 of the act is apparently for the purpose of enabling the actual participation, once it is decided upon. It authorizes, for example, the making of contracts necessary to provide for U.S. participation and the incurring of related expenses.

The 85th Congress adjourned without having made an appropriation as authorized by section 7 of the act. In order to enable preliminary work to be done, so that the President could make his report to

the 1st session of the 86th Congress, as required by section 5(a) of the act, the President allotted \$60,000 of his emergency fund to the Department of Commerce, which he had designated as the Department through which he would carry out his functions under the act (see letter of the President, Nov. 13, 1958, published in 23 F.R. 9169).

In analyzing the act, it appears to the Department of Commerce exposition staff that certain amendatory legislation should be enacted in order to allow the necessary flexibility in arrangements for participation. The House report above referred to indicates that it was expected that participation would require additional legislation in the form of appropriations and possibly in general legislation.

While the act is broad enough at this stage to provide for actual participation as well as the preliminary planning, it is felt that the addition of some paragraphs in the nature of those presently provided in international trade fair legislation (22 U.S.C. 1991-2001) would enable the Commissioner more adequately and efficiently to discharge his functions.

Section 1 of the proposed amendment makes certain technical changes. The exposition is now known officially as Century 21 Exposition and it is to be held in 1962 as well as 1961.

Section 2 of the proposed amendment lists the types of expenditures contemplated under the act and clarifies the present authority. Section 3 of the amendment amends the present section 7 of the act by removing the \$125,000 appropriation authorization limit which was predicated only on the preliminary work. It also adds a new section 8, which authorizes carrying out the provisions of the act without regard to the prohibitions and limitations of laws that prohibit the advance payment of funds and contracting for more than a year. These laws were designed for ordinary, routine, and continuing Government procurement but should not apply to the specialized type of contracts and functions peculiar to the operations of and participation in an exposition.

#### LEGISLATIVE COMMITTEE VIEWS

Senator MAGNUSON. As you will recall, on the floor it was the consensus of the opinion of the Foreign Relations Committee with only one exception, that we have been appropriating a great deal of money for fairs all over the world, which is all right, we have all voted for them, but it is about time, particularly in this great field of science and this new age, we had one of these things, ourselves.

Senator BIBLE. I thoroughly concur in your statement.

#### COMMITTEE RECESS

Senator MAGNUSON. We will recess now until 10:30 tomorrow, to hear the rest of the witnesses.

Mr. MOORE. Thank you, Mr. Chairman.

(Thereupon, at 12:30 p.m., Tuesday, August 25, 1959, the committee was recessed, to reconvene at 10:30 a.m., Wednesday, August 26, 1959.)

# MUTUAL SECURITY APPROPRIATIONS FOR 1960

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WEDNESDAY, AUGUST 26, 1959

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
*Washington, D.C.*

The committee met, pursuant to recess, in room 1224, New Senate Office Building, at 10:30 a.m., Hon. Carl Hayden, chairman of the committee, presiding.

Present: Chairman Hayden, Senators Chavez, Ellender, Robertson, Bible, Saltonstall, Young, Mundt, and Dworshak.

Also present: Senator Schoeppel.

## DEPARTMENT OF AGRICULTURE

### SOIL BANK PROGRAM—CONSERVATION RESERVE

STATEMENTS OF CLARENCE D. PALMBY, ASSOCIATE ADMINISTRATOR, COMMODITY STABILIZATION SERVICE; H. LAURENCE MANWARING, DEPUTY ADMINISTRATOR, PRODUCTION ADJUSTMENT, COMMODITY STABILIZATION SERVICE; CLAUDE T. COFFMAN, ASSISTANT FOR SOIL BANK AND FOREIGN AGRICULTURE, OFFICE OF THE GENERAL COUNSEL; CHARLES L. GRANT, DIRECTOR OF FINANCE AND BUDGET OFFICER

#### GENERAL STATEMENT

Chairman HAYDEN. The committee will please come to order.

Senator MUNDT. Mr. Chairman, I have a very brief statement in connection with an amendment which I am offering on behalf of myself and Senator Schoeppel of Kansas, and Senator Young of North Dakota.

It is proposed that this amendment be inserted at the proper place in the bill in order to make the soil bank program workable for 1960.

I will explain briefly what has occurred which has given rise to the necessity for this amendment.

#### LIMITATION ON RATE OF ANNUAL PAYMENTS

At the insistence of the other branch of Congress, there was written into the Agricultural Appropriation Act of this year, a new limitation on the rate of annual payments of land put in the conservation reserve, a new formula which had never been tried before.

In the original soil bank act which gave the Secretary of Agriculture certain guidelines to follow the established payment rates, but left him

sufficient latitude within those guidelines to set rates which were fair and reasonable.

The soil bank has just 1 more year in which to operate under the Authorization Act and that is the crop year of 1960. Heretofore we have said that the rates of annual payment to be provided for in the contract shall be established on such basis as the Secretary determines will provide producers with a fair and reasonable annual return on the land, taking into consideration the value of the land for production of commodities customarily grown on such kinds of land in the county or area, the prevailing rates for cash rentals for similar land in the county or area, the incentive necessary to obtain contracts for the coverage, for the substantial accomplishment of the purpose of the conservation reserve program and such other factors as he deems appropriate.

You will notice we stated that the aims should be to provide producers with a fair and reasonable return on the land.

On the other hand, another provision of the Soil Bank Act directed the Secretary to provide adequate safeguards to protect the interests of tenants and sharecroppers, including the reasons for sharing on an equitable basis of payments.

The new limitations on payments which were written into the Agricultural Appropriations Act this year have proved to be unworkable and make it almost impossible to carry out these objectives.

So we have a very emergent situation before us. The new limitation contained in the Appropriations Act provides:

That in establishing annual rental rates for new contracts no such rental rates shall be established in excess of the local fair rental value of the acreage offered. Such fair rental value to be based on the average crop production harvested from such acreage during the past 5 years.

Under this new limitation county committees are left with no discretion in determining the rate of payment other than to take the farmer's production of the last 5 years, divide it by 5 to get the average annual production, take the landlord's fourth or third or two-fifths, as the share may be, and have that to determine the rental value.

A small amount may be added to reimburse the farmer for the special obligations which he assumes under the conservation reserve contract, such as the cost of controlling weeds, building fences, and maintaining the cover, all of which he is expected to do as a cooperator.

If we take, as an example, land which has an annual gross return of \$40 per acre, a landlord's one-fourth of that would be \$10 per acre.

If we add \$2 to cover the cost of weed control, mowing the cover, building fences, and so forth, the maximum annual payment which could be paid would be \$12 per acre.

The owner will not even receive all of the \$12 since it must be divided between him and the tenant.

What owner who can rent his land to a private individual for \$10 is going to put his land in the conservation reserve at \$12 and have to share the \$12 with the tenants?

In such States such as my own, where there have been 1 or 2 dry years during the past 5 years, the amount of payment in many cases would be ridiculously low.

So the impact of the amendment is virtually to make the soil bank inoperative for 1960 in those areas where they have had short crops or a drought during any one of the past 5 years.

What this means, in other words, Mr. Chairman, is that in some States we will virtually be excluded from participation in the program and in nearly all States the 1960 rate will be much lower than the rates being paid under current contracts.

#### PROPOSED SUBSTITUTE AMENDMENT

The amendment which I propose is a substitute for the limitation in the original appropriating act, the provision that no annual rental will be established in excess of the 20 percent of the value of the land placed under contract, but in no event shall such payment be established in excess of the 1959 rate.

This will give the local county committees sufficient discretion to set rates which are fair and reasonable and at the same time will afford adequate safeguards against the rates being too high.

It would, Mr. Chairman, mean that under the terms of this amendment for the last year of the program they could not set their rates higher at any place than they were in 1959.

You would not have an entire new set of rates confusing the whole program in its final year and in fact, eliminating certain States almost entirely and certain big areas of other States because of drought or other acts of nature which destroy such crop.

I propose this amendment with Senator Schoeppel and Senator Young, each of whom has a statement he would like to make and I believe that Congressman Breeding, who is in the room, also would like to be heard.

Chairman HAYDEN. We shall be pleased to hear from you, sir.

Senator MUNDT. Mr. Chairman, I would like to have the amendment proposed by myself, Senator Schoeppel, and Senator Young, inserted in the record at this point, if that is agreeable.

Chairman HAYDEN. The proposed amendment may be included in the record.

(The amendment referred to follows:)

#### PROPOSED AMENDMENT

In lieu of the method for determining the fair rental value for conservation reserve contracts prescribed in clause (2) of the sixth proviso under the head "Conservation Reserve" in Public Law 86-80, such fair rental value shall be based upon the prevailing rental rate in the area for land of comparable productivity, or in the absence of prevailing rental rates the amount which the county committee estimates would be a fair rental rate for land of such productivity, making due allowance in either case for the obligations assumed by producers under conservation reserve contracts.



## SOIL BANK PROGRAM

STATEMENT OF HON. J. FLOYD BREEDING, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF KANSAS

## GENERAL STATEMENT

Mr. BREEDING. I am Congressman Breeding, of Kansas.

I want to join in and subscribe to the statement made by the Honorable Karl Mundt, of South Dakota.

I come from one of the largest wheat-producing districts in America. Yesterday and this morning, I have had calls from local ASC county committees in my area who are presently holding meetings on the interpretation of the soil bank for 1960 and they tell me that the farmers are walking out in disgust in regard to the rulings and limitations of the program for 1960.

Mr. Chairman, it is an honor for me to be here this morning. I have a short prepared statement I would like to read to you, sir.

Chairman HAYDEN. Proceed.

Mr. BREEDING. Mr. Chairman, I appreciate the opportunity to appear here today in regard to a regulation in the 1960 conservation reserve program which I believe is unfair to many farmers of my part of the country.

## APPROPRIATION ACT PROVISION

The regulation in question is based upon that part of the Agricultural Appropriations Act of 1960, which reads as follows:

In establishing annual rental rates for new contracts, no such rental rate shall be established in excess of the local fair rental value of the acreage offered, such fair rental value would be based upon the average annual crop production harvested from such acreage during the past five crop years, including the current year.

That sounds like a reasonable provision.

But when it is interpreted to mean that the provision does cover years when production was ruined or drastically reduced by floods, droughts, or other abnormal conditions, it becomes decidedly unfair to farmers in dry land areas.

## LOW-YIELDING CROP YEARS

Take my home county, Morton County, Kans., as an example. During the past 5 years we have had 2 years, 1955-56, of what I consider crop failures. Production averaged 4 to 6 bushels of wheat per acre, or less each year.

Then in 1957, with approximately 10 bushels per acre yield.

Then the years of 1958, 1959, with around 25 bushels per acre yield. That means that the annual crop production harvested would be drastically reduced by the three low-yielding years.

In practical terms, under the new ruling, this means the payments per acre for 1960 would be roughly \$4 to \$6 in some areas. The payments in 1959 averaged about \$10 per acre.

From practical experience I know that a farmowner can rent out his land and receive better than \$10 per acre in a normal year.

This ruling leaves no incentive for farmers in some areas to participate in the program this next year.

I do not believe Congress intended for the program to operate in this manner. When the appropriation bill was before the House, I

checked with the House subcommittee chairman, the gentleman from Mississippi, Mr. Whitten. He assured me the intent of the committee was to exempt abnormal years from the production history.

It was not until I read the regulations issued by the Department that I learned the matter had not been settled.

#### LETTER FROM REPRESENTATIVE WHITTEN

I am advised that Congressman Whitten has written to Secretary Benson in an effort to set the record straight. His letter, dated August 21, states:

This provision (in the appropriations act) was not intended to prohibit the making of adjustments in production history for drought, flood, or other abnormal conditions. Where, because of drought, flood, or other abnormal conditions there is no normal 5-year history on such lands, it was intended that the rates should be based on the production for those years of the 5-year period where there was normal production.

I hope this committee can correct this situation in such a manner that will permit Kansas wheat farmers and others to participate in the program.

If years when production was adversely affected by drought or other natural disasters were exempted from the production history, I believe it would partially correct the situation.

I am convinced such a change would give Kansas farmers a rental for land placed in the soil bank that is more in line with the rental value of the acreage.

However, Mr. Chairman, I believe the amendment as offered by the Honorable Karl Mundt is more appropriate than the language that I have suggested.

#### SUPPORT FROM GOVERNOR OF SOUTH DAKOTA

Another statement I would like to make is that George McGovern, of the State of South Dakota, called me by telephone late yesterday evening and said he would like to be here this morning and testify on behalf of this amendment but would be unable to be here. However he stated that he subscribed to my statement, as well as the other statements in behalf of the amendment to this provision.

Mr. Chairman, I believe that that concludes my statement, sir. I want to say it is an honor to be here and to testify. I join with my own Senator Schoeppel and with Senator Karl Mundt as well as Senator Young who invited me here to testify this morning in regard to this change.

Thank you, sir.

Chairman HAYDEN. I understand that Congressman Burdick is here, and he wants to associate himself with your statement.

Mr. BREEDING. Yes, sir.

#### STATEMENT OF HON. QUENTIN BURDICK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

##### GENERAL STATEMENT

Mr. BURDICK. Mr. Chairman and members of the committee, in the interest of saving time I would like to say that I would like to

associate myself with the remarks made by my colleague, Mr. Breeding, from Kansas.

I think the situation that he outlined applies equally to North Dakota.

I certainly hope you will give consideration to the amendment, Mr. Chairman.

Chairman HAYDEN. Thank you.

Senator MUNDT. Mr. Chairman, Senator Schoepfel has to go to another committee meeting. He is one of the cosponsors of the amendment.

I would like him to make a statement at this time.

Chairman HAYDEN. All right.

#### SOIL BANK PROGRAM

### STATEMENT OF HON. ANDREW F. SCHOEPPPEL, A U.S. SENATOR FROM THE STATE OF KANSAS

#### GENERAL STATEMENT

Senator SCHOEPPPEL. Mr. Chairman, I have a very short statement here.

As the chairman and the other members of the committee know, I am happy to join with Senator Mundt and Senator Young in this amendment.

Mr. Chairman, when the 1960 conservation reserve appropriation was authorized, new language was inserted which required county committees to limit rates paid for land put in the conservation reserve to the local fair rental value of the land.

Such fair rental value was to be based upon the average annual crop production harvested from such acreage during the past 5 crop years, including the current year.

The intent of this language was to base the annual payment rate under the conservation reserve on the actual crop production on land coming into the conservation reserve.

This, in theory, sounds like a very fair and desirable proposition for the actual payment of rates based upon the crop history of the land to be retired.

However, in practice, it works out much different than the theory. To begin with, it is a very costly and cumbersome thing to administer and the county committees nationwide are finding that they will have a great deal of difficulty in making the determinations.

#### INFORMATION AVAILABLE ON CROP PRODUCTION

The information on crop production will not prove to be reliable in many cases. Practically the only source of this information is the farmer on the land. His records are not usually complete enough to give reliable data for the past 5 years that can be used with full assurance that they are correct.

The law makes no provision to take care of the man who, through some unfortunate circumstances, such as flood or drought, had lost a crop during one of the past 5 years, which results in average annual production and the rental rate being absurdly low.

The legislation does not give the county committee adequate authority to adjust these rental rates to a realistic level.

The problem has proved to be acute in our Kansas area and as testified to by Senator Mundt, particularly in the western wheat States where the need to reduce the surplus of wheat is most needed.

#### DROUGHT CONDITIONS

Some of these States have experienced drought conditions this past year or two, which will cut the 1960 rate much below rates of the previous 3 years in which conservation reserve contracts were written, and below the level of rates needed to attract land into the conservation reserve, which was the result of this act.

The result is that very little acreage will be brought under contract in these States where we should be getting large acreages.

Since there are no records available to establish the crop history for the past 5 years, the Department will of necessity have to rely solely on the statement of the producer as to his past production.

This is bound to result in establishing payment rates which are more favorable to those producers who overstate their production history than to those who furnish accurate production history. I do not believe it is fair to discriminate between producers in this manner.

The proposed amendment will permit the establishment of rates which are fair and reasonable and which will provide a sufficient incentive to obtain participation in the program.

#### TOTAL SOIL BANK CONTRACTS IN KANSAS

In our State of Kansas, which is a large wheat-producing State, we have 1,121,000-plus acres of land that was placed in the soil bank cumulative through this year, 1959; 10,636 total contracts were entered into in Kansas. A little over 5,000, or about half, included whole farms.

Then we have a division in the western part as against the eastern part. It is developing to be a very acute situation since these rules and regulations were changed through some misunderstanding here, or misinterpretation.

I am aware of the fact that in the interest of fair play it ought to be clarified. I was happy to join with my two colleagues here, Senator Mundt and Senator Young, in trying to correct this.

I do appreciate the opportunity to be heard here today, Mr. Chairman, on this important matter. If the committee will excuse me, we have an executive session in Interstate and Foreign Commerce.

Chairman HAYDEN. Senator Young.

#### NEED FOR CHANGE IN LAW

Senator YOUNG. The reason for this amendment today, Mr. Chairman, is because an amendment was attached to the agricultural appropriation bill which changed the basic soil bank law without hearings being held.

We were fearful at the time it would badly hurt the program, but we did not think it would hurt it as badly as it has.

If this law is not changed, we might just as well repeal the appropriation for the soil bank program because I doubt if any tenant would be able to participate in the program and but few owners.

Some landlords might under certain conditions. In the new amendment we provide that the payments cannot be higher than they were this year.

Because of the lesser amount of money available for next year's program, the farmers will bid these payments way down from last year.

A farmer bids a certain price per acre for which he will put his land in the soil bank program for a specified period of years. Because of the smaller amount of money being available now, there will be more competition among the farmers and the payments are bound to be far less than they were before.

I do hope that this amendment will be approved. I think the Department of Agriculture, Mr. Chairman, can explain why the present language in the law is wrong and unworkable.

Senator MUNDT. Mr. Chairman, if I may add at this time that one thing as Senator Young says should be emphasized. There is always a tendency for legislation of this kind to benefit people other than those you have primarily in mind. If this language is not changed it becomes practically a landlord's bill as far as conservation reserve is concerned.

You have worked against the interests of tenants who probably need it the most.

We have been trying to avoid that, but this would occur unless you correct it at this time.

I would say that the amendment has the support of the Department of Agriculture. We have worked with them in developing it.

If there are any questions about the technical features, they have representatives here this morning who will discuss it.

This gives us a chance to correct a misadventure which the Senate resisted at the time, but we were not successful. This is a chance to correct it.

#### STATEMENTS BY COMMODITY STABILIZATION SERVICE OFFICIALS

Chairman HAYDEN. We will now hear from Mr. Clarence D. Palmby, Associate Administrator of Commodity Stabilization Service.

You may proceed, sir.

Mr. PALMBY. Mr. Chairman, on my right is Mr. Manwaring, Deputy Administrator for the Commodity Stabilization Service.

On my extreme left is Charles Grant, budget officer.

To my immediate left Claude T. Coffman, of the Office of the General Counsel.

We have no prepared statement in regard to this problem. We would like to feel free to answer any questions which any of you may have.

Other than that, I don't know what formal statement we should make as a leadoff.

Senator YOUNG. I might ask this question, Mr. Chairman: With respect to the present provision in the law written into the Senate agricultural appropriation bill, why does it not work?

Mr. MANWARING. Senator Young, you are talking about the one we now have written in the appropriation language, the limitation which is placed on the rate and makes it not higher than the fair rental value. You are asking that question?

## EFFECT OF THE LIMITATION

Senator YOUNG. That is right.

Mr. MANWARING. I think it arises for two reasons, Senator. It is not working well for two reasons. One is the one that Senator Mundt stated in his statement; that is, because of the requirement that you adhere to a fair rental value. The landlord gets the fair rental value if he goes into the program, but then he has to split that fair rental value, which he can get from anybody, with his tenant. As a consequence, he says, "I will just rent it to somebody for \$10 rather than split \$10 with somebody else." So he is unwilling to participate in the program.

The effect of this, too, is to reduce in some areas the rate below the rate we had last year.

Senator YOUNG. Would it not in all areas?

Mr. MANWARING. In most areas, Senator Young, that is true.

Senator MUNDT. Some areas where they have had short crops or drought, it would reduce it very substantially, would it not?

Mr. MANWARING. Substantially, because we had to hold to the 5-year average, and if you had 2 years of poor crops in the 5 years, we divided the 3 years' production by the 5 years.

## PRODUCTIVITY INDEX FOR FARMS

Last year we established for every State and every county an average rental or an average payment for the county which could not exceed the national. We established on the basis of the productivity of the land a productivity index for every farm.

In order to get a fair relationship between farms, then, we established the rate for the farm based on this productivity index and averaged out to the county average rate for the county.

Now we felt at that time that we were providing a rate that had a fair relation to the productivity and a fair return to the farmer who is willing to put the land in the program.

The insertion of this fair rental value provision has the effect of reducing that rate somewhat below that in, I think, most parts of the country.

Senator MUNDT. Mr. Manwaring, would it be possible—we have to get this through with a minimum of difficulty at this stage of the Congress—would it be possible for you to have a letter from the Secretary sent up approving this proposal and have it inserted in the record?

Mr. MANWARING. Senator Mundt, this has not been taken up with the Secretary's Policy and Program Committee. We do not have a policy statement on it.

We can take this up with the Secretary's Policy and Program Committee immediately, Senator, if you would like it done.

Senator MUNDT. I am confident that the Department will write such a letter because by so doing they virtually vindicate the policy they had been following in the past.

Mr. PALMBY. We can move on this immediately.

Senator YOUNG. Can you give us an example of a particular farm, of how this rental provision would work?

Mr. PALMBY. In the letter which we submit, Senator Young?

Senator YOUNG. Can you do it now?

Mr. PALMBY. I think I missed the point.

Senator YOUNG. How it would affect the payments next year as against this year?

Mr. PALMBY. On the new offers which we could accept?

Senator YOUNG. Yes.

Mr. MANWARING. Let us take the one that Senator Mundt proposed in his statement, where the income from the farm, on whatever basis you determine it, was \$40 and the landlord's share became \$10 because he rented it on a fourth share and that is what he would get from it.

He is willing to rent to the tenant for \$10, but if we say, "All right, you have to rent to us for \$10, also," and then in addition say to him, "but you must share the \$10 or the \$12"—which includes the little added increment because of the soil bank—"you must share that with the tenants," then he says, "I can't get in."

Now under our previous formula it is probable that on a productivity index basis the rental rate for that land would be—and I don't know precisely, Senator—would be somewhere around \$13 or \$14.

Now of course the landlord and the tenant do not have to share in the same proportion as they shared before because there is a change of the workload.

#### SPECIFIC EXAMPLE OF THE LIMITATION

Senator YOUNG. I believe I have the best example that you can possibly have, which has been worked out by a county office manager in North Dakota. I would like to read that into the record.

Chairman HAYDEN. Certainly.

Senator YOUNG. He talks about a certain farm, saying:

This is a farm consisting of three quarters of land having 400 acres under cultivation which would be eligible to be placed in the program. The county committee has set the productivity index on this farm at 105 percent, giving us a farm maximum payment rate for part farm of \$11 per acre, or \$12.10 per acre for whole-farm participation, on this farm.

At this point the county committee must establish a local fair rental value per acre in accordance with the above-mentioned notice SB-200, which is an interpretation of paragraph 108 of the soil bank handbook. In order for the committee to do this they must obtain from the farm participant the history of all crops and grasses on the farm for the past 5 years as to what their total 5-year production of each crop has been and then turn this production for the 5-year period into dollars and cents by using current market or Government supports, whichever is higher. This must then be broken down to annual per acre return by dividing the total cropland on the farm into average annual return for the 5-year period even though some of the cropland acres did not produce a crop because of summer fallow, crop failures, hail-out, etc. One-fourth of the annual average acre return, which constitutes the landlord's share and which can be adjusted upward a small amount to represent the cost of maintaining conservation practices on conservation reserve acres, becomes the figure that the county committee must use as a local fair rental value.

On this actual farm we worked out the cropland uses consisted of some summer fallow and the producing of alfalfa, wheat, oats, barley, flax, corn, and rye. His average annual production of the various crops consisted of a ton and a half of alfalfa per acre, 16 bushels of wheat per acre, 40 bushels of oats per acre, 28 bushels of barley per acre, 8 bushels of flax per acre, 25 bushels of corn per acre, and 30 bushels of rye per acre. Taking these average annual productions per acre times the acres of each and applying current values, we find that the average return per acre is \$18. Since this is a tenant and the landlord gets one-fourth of the crop, this \$18 is divided by four giving us a fair rental price for this farm of \$4.50, which must be used by the county committee. If this participant were

to enter into a contract the landlord would realize \$1.12 per acre and the tenant would realize \$3.38 per acre.

That is the reason why I said we would be better off to repeal the appropriation rather than to present a program to the farmers which is completely unworkable.

DEPARTMENT'S VIEW OF PROPOSED AMENDMENT

Chairman HAYDEN. It is my understanding that you gentlemen went over the text of this proposed amendment with Senator Mundt and that you agreed upon it, yourselves.

Mr. PALMBY. Yes, sir.

Chairman HAYDEN. If you will follow Senator Mundt's suggestion and have it taken up with the policy committee of the Department and get a letter from the Secretary, I think that will clarify the situation for the committee.

Senator ELLENDER. Are there any other suggestions you would like to make as to this language?

Mr. COFFMAN. I don't think so, Senator.

Senator ELLENDER. As Senator Hayden pointed out, you went over it and apparently you are satisfied with it.

Now, why is not the language in the law workable? What is the trouble with it? Has that information been put in the record?

Mr. COFFMAN. It had just before you entered, Senator Ellender.

Mr. Manwaring explained that there were principally two problems: One is that the Soil Bank Act, as you remember, was designed to reimburse the farmer for what he lost from production by putting it in the soil bank.

Now, this new provision in the Appropriation Act limits that payment. When you take the rent that is paid for land and try to divide that between a landlord and a tenant there just is not enough to go around.

The second point which Mr. Manwaring made was that in areas where there has been a drought or other bad weather or abnormal conditions, during the last 5 years, we have to take the production that actually came from that farm and divide it by 5.

If you have only three normal crop years you have to divide that by five to get the average annual production and that would result in an even lower rate.

Senator ELLENDER. So long as you think new language will do the job, I do not suppose there will be much opposition by the committee to make the plan workable.

Mr. MANWARING. What we are saying, Senator, is that we did look at that language and we do think we can administer the program under it. We do not have a formal policy of the Department yet, and that is what Senator Hayden was asking us to get.

Chairman HAYDEN. We thank you, gentlemen.

Mr. MANWARING. Thank you, Mr. Chairman.

Chairman HAYDEN. We thank you, gentlemen.

(The letter referred to appears on p. 945.)



## DEPARTMENT OF LABOR

### LABOR-MANAGEMENT REPORTING AND DISCLOSURE ACT

**STATEMENT OF JAMES E. DODSON, ADMINISTRATIVE ASSISTANT SECRETARY, ACCOMPANIED BY V. S. HUDSON, DEPUTY ADMINISTRATIVE ASSISTANT SECRETARY; NELSON M. BORTZ, ASSOCIATE DIRECTOR, BUREAU OF LABOR STANDARDS; AND ALBERT L. MOORE, JR., ADMINISTRATIVE OFFICER, OFFICE OF ADMINISTRATIVE ASSISTANT SECRETARY**

#### BUDGET ESTIMATE

Chairman HAYDEN. The next item is the Department of Labor, requesting the sum of \$2 million for salaries and expenses of the Labor Department.

Mr. Dodson and other witnesses are to appear.  
(The justification follows:)

#### U.S. DEPARTMENT OF LABOR

*Tentative estimate to finance initial operations under the Labor-Management Reporting and Disclosure Act of 1959*

|   |            |
|---|------------|
| General administration, program planning and management services... | \$208, 000 |
| Reporting provisions.....   | 682, 000   |
| Disclosure provisions.....  | 136, 000   |
| Investigation provisions.....                                       | 520, 000   |
| Enforcement provisions.....   | 248, 000   |
| Rules and regulations provisions.....                               | 186, 000   |
| Advisory Committee on Ethical Practices.....                        | 20, 000    |

Although a large part of the requested funds is expected to be needed for salary and related costs of persons to be employed in the described functions, it is also evident that very significant, and in some cases nonrecurring, amounts are needed for nonlabor expenses. Typical of these, as in the initiation of any new program, are (a) travel for training purposes, (b) rental of office space in Washington and a number of field locations, (c) printing costs of new forms, rules, regulations, etc., and (d) equipment for all personnel and functions.

#### GENERAL STATEMENT

Mr. Dodson. Mr. Chairman, this is the first time in all my years of service that I am not in a position to supply detailed budget estimates to support a request for funds.

What we are asking for is enough money to get started and operate until early 1960. At that time we will submit a detailed budget estimate through normal appropriation processes.

The lack of time, coupled with present uncertainties as to the precise nature of the bill which may finally be enacted precludes the presentation of detailed justifications for the amount requested.

I am sure, however, that the committee will expect adequate action by the Department once the Congress has made its final decisions as to the objectives, functions, and responsibilities it wishes to attach to this legislation.

It would appear abundantly clear from the events of the past month, as well as for the several years which have elapsed since legislation was first proposed in this area, that the public at large, as well as union members, their organizations, and employers want, and should get, immediate help in problems that they now have or beset them upon passage of a law.

This budget request is based on that conviction and premise.

#### RESPONSIBILITIES ASSIGNED THE SECRETARY OF LABOR

I should like now to summarize quite briefly the major provisions of the Senate and House labor reform bills as they relate to the proposed responsibilities assigned to the Secretary of Labor.

In many respects these responsibilities are basically similar. The major similarities—or differences—in the two bills, by broad functional areas, are as follows:

##### REPORTING REQUIREMENTS

1. Both bills require labor organizations subject to their provisions to file copies of their constitution and bylaws and a supporting statement descriptive of their organization and specified practices as set forth in their constitution.

Both measures require annual financial reports to be filed by all unions subject to the bills.

Both bills require the filing of detailed statements with regard to the establishment and management of trusteeships, including statements of the financial status of the trustee union.

Periodic reports, during the legal life of the trusteeship, are also required.

Although the Senate and House treatment of some provisions of conflict in interest reports from union officials and employees, employers and labor consultants, differ in their substantive approach, each imposes upon the persons involved the requirement to file with the Secretary of Labor detailed statements of conflict in interest situations.

With respect to the filing of non-Communist affidavits, the Senate bill requires the filing of such affidavits with the Secretary of Labor on the part of all officers of labor organizations and officers and directors of an employer organization which, in the preceding year had filed a petition under section 9, or a charge under section 10 of the National Labor Relations Act, as amended.

The House bill contains no non-Communist affidavit filing requirement.

##### DISCLOSURE PROVISIONS

2. Both bills provide that the reports filed with the Secretary of Labor relating to union organization and finances, trusteeships, and conflict in interest situations, shall be public information and that the Secretary shall, by regulation, make reasonable provision for the inspection and examination of such reports and furnish copies at reasonable cost.

##### ELECTIONS

3. Both bills contain detailed provisions relating to the holding and conduct of elections of union officers. Under the Senate bill the Secretary may investigate complaints, hold hearings, and bring civil

action on alleged violations of election procedures and may also supervise the conduct of new elections where warranted.

Under the provisions of the House bill union member complaints are processed by civil court action by the aggrieved members and, upon direction of the court, the Secretary is authorized to conduct a new election.

#### INVESTIGATIONS

4. The Senate bill gives the Secretary authority to conduct investigations whenever—

he believes it necessary in order to determine whether any person has violated or is about to violate any provisions of this act or any rule or regulation authorized by this act (except amendments made by this act to other statutes).

The House bill authorizes him to conduct investigations—

when he has probable cause to believe that any person has violated any provision of this act, other than a provision of title I.

Thus, both bills authorize the Secretary to make investigations concerning all provisions of the act, excepting only the Taft-Hartley amendments under the Senate bill and the bill of rights under the House bill.

#### ENFORCEMENT

5. Both bills authorize the Secretary to enforce various provisions by civil suits for injunctions and other appropriate relief.

The Senate bill authorizes such enforcement actions under the following provisions:

A. Reporting and disclosure provisions including the requirements on unions to make and keep records and to make information regarding the reports available to members (excluding the provisions on trusteeship reports);

B. The substantive trusteeship requirements, (i.e., the prohibitions against imposition and maintenance of trusteeships except for specified purposes, against counting of nonrepresentative votes of unions under trusteeship, and against the transfer of certain funds from such unions);

C. The election provisions; and

D. The provision requiring unions to forward, upon request, copies of collective-bargaining agreements to employees covered thereby.

The House bill authorizes the same enforcement actions by the Secretary, with the following differences:

A. It adds the authorization to bring actions to enforce the trusteeship report provisions, and

B. It omits the authorization of such actions under the election provisions.

#### RULES AND REGULATIONS

6. Under both bills the Secretary is authorized to issue rules and regulations on various provisions.

These rules and regulations will cover the reporting and disclosure requirements, including rules to prevent the circumvention or evasion of such requirements.

Under the Senate bill, they would also cover certain phases of the election provisions.

Both bills provide that the Administrative Procedure Act shall be applicable to the issuance, amendment, or rescission of rules and regulations.

#### ETHICAL PRACTICES COMMITTEE

7. The Senate bill provides for an advisory committee on ethical practices to advise the Secretary in the administration of the act. No such provision appears in the House bill.

These various responsibilities call for the preparation, issuance, and subsequent receipt, examination and disclosure of numerous types of reports and documents. Instructions and regulations to assure compliance with the law must be drafted and distributed to all interested groups.

#### INVESTIGATIONS OF ALLEGED VIOLATIONS OF LAW

Perhaps the most crucial as well as the most constructive area of activity will relate to investigations of alleged violations of the law. Bona fide complaints must be dealt with expeditiously. Their volume, particularly in the initial stages of the administration of the law may be relatively heavy.

For example, in its first year of existence the McClellan committee received between 75,000 and 100,000 letters, many of which contained complaints of alleged improper activities. Prompt attention and effective enforcement action will be demanded.

Thus the Department must have adequate resources to move quickly. In so doing, however, it is not intended to overlook the fact that the overwhelming majority of the persons and organizations subject to the law will sincerely and honestly desire to comply wholeheartedly with its spirit and intent.

To assist these groups in understanding their responsibilities and in meeting the reporting and fiduciary standards, the law imposes a broad informational and educational program of voluntary compliance and observance of the law will be undertaken.

All these functions, reporting, disclosure, investigation and enforcement, and voluntary compliance, can most effectively be discharged when the services are the closest to those directly affected and who need help.

#### REGIONAL OFFICERS

Accordingly, the Department plans, with the committee's approval of the funds requested, to establish offices at appropriate regional centers. This approach, we believe, will not only be the most efficient and effective step we can take, but will, at the same time, give positive assurance that the objectives of the legislation and the relief afforded are being brought within the reach of the people the law is intended to protect.

This legislation, in the broadest sense, covers some 60 million workers and several hundred thousand employers.

In terms of the specific protections afforded union members and the reporting obligations imposed upon labor organizations and their officers the dimensions are still impressive: 17 to 18 million workers, about 55,000 labor organizations, and possibly as many as a half million union officers and employees.

The number of employers who may be required to file reports is conjectural since the extent of reportable conflict in interest practices is unknown.

It would appear, however, that well in excess of 100,000 employers—or corporation officials—would be covered by the law and subject to the requirements of the conflict in interest reporting provisions.

The number of labor-management consultants subject to the reporting requirements is unknown, but presumably their total is not large.

I hope that this explanation adequately conveys our initial plans and I regret that it has not been possible to provide you with a detailed justification in support of our request for \$2 million.

Frankly, we do not know whether this amount will be sufficient to meet all of the initial expenses required of a major new activity as well as the investigational and other workload factors that undoubtedly will emerge in the months ahead.

I can assure you, however, that we will supply detailed budget justification to the next session of Congress.

#### CONFERENCE COMMITTEE

Chairman HAYDEN. As I understand the situation, a conference committee consisting of seven Senators and seven Representatives have under consideration the bill known as the Kennedy-Ervin bill, S. 1555, the text of which was entirely stricken out and the House substituted what is known as the Landrum-Griffin bill.

My colleague, Senator Goldwater, stated that in his opinion the bill should go to conference because the first five titles of the Senate bill were, in his opinion, better than the first five titles of the House bill.

It is my understanding from the press reports that the conferees have adjusted a large part of the differences in those five titles that there remain yet some items to be considered.

Now, what the Department of Labor is trying to do is to secure a budget estimate of \$2 million with the idea that if the bill becomes a law the responsibilities imposed by law upon the Secretary of Labor will require at least \$2 million for him to be able to properly carry out his duties and without any money the provisions of law could not be enforced.

Am I correct?

Mr. DODSON. That is a correct statement.

#### REPORTS UNDER TAFT-HARTLEY LAW

Senator ELLENDER. Mr. Dodson, is it a fact that under the Taft-Hartley Act the Department of Labor receives certain reports now and could not the reports to which you refer be dealt with in the already established bureau?

Mr. DODSON. We do receive certain reports under the Taft-Hartley Act, Senator Ellender. That is for the unions who want to be able to avail themselves of the services of the NLRB.

It is not a complete reporting.

Senator ELLENDER. Are you going to supplement that bureau?

Mr. DODSON. That will be one of the questions of organization, Senator, about whether or not that particular unit should not be merged in with this particular unit.

Senator ELLENDER. It strikes me if you do not merge them there will be some duplication.

Mr. DODSON. We are aware of that, Senator Ellender, and we are going to watch that.

Senator SALTONSTALL. Mr. Dodson, does your statement cover the National Labor Relations Board, also?

Mr. DODSON. No, sir; Mr. Rothman will testify on that.

Senator SALTONSTALL. It adds \$500,000 more to the \$2 million you are now asking for?

Mr. DODSON. Yes, sir.

The NLRB is an independent agency and not a part of the Department of Labor.

Senator SALTONSTALL. It is the same problem?

Mr. DODSON. Yes, sir.

Chairman HAYDEN. If there are no further questions, we thank you, Mr. Dodson.

Mr. DODSON. Thank you, Mr. Chairman.

## NATIONAL LABOR RELATIONS BOARD

### STATEMENT OF STUART ROTHMAN, GENERAL COUNSEL, ACCOMPANIED BY WILLIAM T. EVANS, SPECIAL ASSISTANT TO THE GENERAL COUNSEL; J. NEAL TOMNEY, DIRECTOR, DIVISION OF ADMINISTRATION, AND CLARENCE S. WRIGHT, BUDGET OFFICER

#### BUDGET ESTIMATE

Chairman HAYDEN. The next item is from the National Labor Relations Board, for an additional amount of \$500,000 for its responsibilities under the Labor-Management Reporting Disclosure Act of 1959, now being considered by the committee of conference.

I will now include the budget estimate and the justification in the record.

(The information referred to follows:)

#### NATIONAL LABOR RELATIONS BOARD

##### SALARIES AND EXPENSES

"For an additional amount for salaries and expenses, \$500,000: *Provided, That this paragraph shall be effective only upon the enactment into law of the Labor-Management Reporting and Disclosure Act of 1959.*"

The amount needed for the full year operation under the Labor-Management Reporting Disclosure Act of 1959 will not be known until the final version is enacted and some experience is gained in its administration. However, it is necessary that some funds be available as soon as the legislation is passed. Therefore, this appropriation is proposed to enable the Board to carry on work until further supplemental appropriation needs for this fiscal year can be ascertained and considered at the next session of Congress.

##### GENERAL STATEMENT

Mr. ROTHMAN. Thank you, Mr. Chairman.

Senator ELLENDER. What is your present budget?

Mr. ROTHMAN. \$14,230,000.

I am very pleased to appear on behalf of the NLRB in justification of a supplemental request in the amount of \$500,000.

The General Counsel under new arrangements of the agency formulates the budget request, but I want to tell you on behalf of the Chairman, Boyd Leedom, that if at any time you should want him here, he will be most pleased to attend.

##### PENDING LEGISLATION

Pending labor legislation, S. 1555, now before a conference committee, will have significant effect upon the work and budget requirements of the National Labor Relations Board.

This supplemental appropriation request for fiscal year 1960 is submitted in advance of actual legislation.

However, the proposed appropriation language precludes the use of these funds until legislation is enacted.

At the present time precise estimates cannot be developed since the areas of legislation are broad and there are no sound bases for estimating the effect of the various provisions.

Only experience under the new legislation will enable the agency to estimate its needs with a reasonable degree of reliability.

The Board realizes that there are reducing as well as increasing factors.

In addition, some provisions, as provided by section 707 of the House version, probably will not be effective until some time after enactment. If past experience is any guide, in some areas work will probably be brought to the agency fairly quickly, whereas, in other areas, the work may develop slowly.

There is no estimate included in this supplemental appropriation request for any change in the Board's present rules for exercise of jurisdiction. Section 701 of both versions recognizes the right of the Board to assert or decline to exercise jurisdiction depending on the Board's opinion as to whether the impact on commerce is sufficiently substantial.

The States, under each version, but with different procedures, may assume jurisdiction over cases with respect to which the Board declines to act.

#### AREAS AFFECTING OPERATIONS

Although it is impossible to attribute any dollar significance to the various elements or to the total, the following thumbnail sketch does indicate the areas in which the pending legislation will affect our operations:

A. Section 201(e) and 212(d) of the Senate version and section 201(d) of the House version repeal sections 9 (f), (g), and (h) of the National Labor Relations Act, as amended.

This eliminates the need for Board procedures for receiving of non-Communist affidavits by union officers; for assuring that current affidavits are on file with the agency, and for determining whether current financial reports are on file with the Secretary of Labor before processing charges or petitions filed by or on behalf of a particular union.

Once these provisions are enacted, and the current records are prepared for and transmitted to Archives, this will reduce the agency's need for clerical staff, mostly in the regional offices.

On an annual basis, the liquidation of this function represents a potential savings of approximately \$15,000 per month, or \$200,000 for each succeeding year.

On the other hand, the removal of these filing requirements may result in an increase in the number of charges and petitions filed.

#### FINANCIAL REPORTS

Under the present statute, financial reports have to be filed by unions only if they contemplate using the Board's facilities.

Under the proposed new legislation, unions must file such reports whether or not they are availing themselves of the Board's services. Therefore, unions which in the past did not use Board services in order to avoid the necessity of filing financial statements may decide once again to file charges and petitions with the National Labor Relations Board.



Since the degree of this effect is dependent upon the thinking of certain unions, it will be difficult to assess until at least several months' experience under the new legislation.

#### BUILDING AND CONSTRUCTION INDUSTRY

B. Section 702 of both versions deals with the building and construction industry. The Senate version provides for a prehire contract with the right to have a union shop agreement with a 7-day (instead of the usual 30-day) clause.

However, where such a contract is not based upon a Board certification of the labor organization, that contract cannot be a bar to a representation election. The House version provides for a certification without election unless there is no history of a collective bargaining relationship, or there is an allegation, and the Board finds, that a substantial number of the current employees assert that the labor organization is not a representative as defined in section 9(a) of the National Labor Relations Act, as amended.

C. Section 703 of the Senate version by amendment to section 9(c)(3) of the National Labor Relations Act, as amended, authorizes the Board to establish regulations concerning the right of employees on strike to vote.

The House version provides that during any lawful strike—except a recognition strike—an election shall not be conducted for 6 months or 1 year if the petition is filed by any person other than the bargaining representative.

D. Section 705 of the Senate version authorizes the use of pre-hearing elections with certain specified safeguards.

E. Section 707 of the Senate version deals with "hot cargo" contracts in the motor carrier industry. Section 705(b) of the House version deals with "hot cargo" contracts generally.

F. Section 708 of the Senate version and section 705(c) of the House version, deals with recognition and organizational picketing. Each version makes this activity subject to section 10(1) (mandatory injunction action), of the National Labor Relations Act, as amended.

G. Section 705(a) of the House version broadens the secondary boycott provisions of the act.

H. Section 709 of the Senate version and section 706 of the House version requires that the agency give priority treatment to 8 (a) (3) and 8 (b) (2) charges under the National Labor Relations Act, as amended, after cases now given priority under section 10(1).

Interpretation into work requirements or costs, is not possible at this time.

Therefore, this supplemental appropriation request is made to enable the National Labor Relations Board to carry out all of its responsibilities as they develop while Congress is not in session.

Depending upon the experience during the first several months after enactment, an additional supplemental appropriation request for the National Labor Relations Board for this fiscal year may have to be submitted for consideration at the next session of Congress.

Thank you, Mr. Chairman.

Chairman HAYDEN. If there are no questions, we thank you, gentlemen.

OFFICE OF CIVIL AND DEFENSE MOBILIZATION

STATEMENT OF LEO A. HOEGH, DIRECTOR

SUPPLEMENTAL REQUEST

Chairman HAYDEN. We would like to hear from the Office of Civil Defense Mobilization.

We have an unusual request for reconsideration of an item that was acted on in the supplemental bill just enacted, being \$12 million, for assignments to Federal agencies of civil defense and mobilization functions, for 1960.

On the supplemental bill the Senate inserted \$3,650,000 to provide for continuing the old programs that had been appropriated for in 1959, and the conference committee reduced that amount to \$3 million.

This additional request is for the \$9 million denied on the previous request.

Just a month ago the committee heard testimony on the item in some detail, filling some 172 pages of the hearings. I am sure the committee understands the problem, and there is no need to duplicate the testimony from the individual agencies. We will place in the record the new supplemental estimate, including the strong statement from President Eisenhower, and your justifications.

(The information referred to follows:)

[S. Doc. 49, 86th Cong., 1st sess.]

A PROPOSED SUPPLEMENTAL APPROPRIATION, FISCAL YEAR 1960—OFFICE OF CIVIL AND DEFENSE MOBILIZATION

Communication from the President of the United States transmitting a supplemental appropriation request of \$9 million for the fiscal year 1960 for the "Salaries and expenses" appropriation of the Office of Civil and Defense mobilization

THE WHITE HOUSE,  
Washington, August 26, 1959.

THE PRESIDENT OF THE SENATE.

SIR: I transmit herewith to the Congress a supplemental appropriation request of \$9 million for the fiscal year 1960 for the "Salaries and expenses" appropriation of the Office of Civil and Defense Mobilization. These funds are necessary to finance the civil defense and defense mobilization activities assigned to several Federal departments and agencies pursuant to law and the national plan for civil and defense mobilization.

I cannot emphasize too strongly the urgent need for the Congress to appropriate such funds before adjournment.

Along with our military defense and retaliatory forces, civil defense and defense mobilization are vital parts of the Nation's total defense—together they stand as a strong deterrent to war.

For this reason I am asking the Congress to reconsider my earlier request for funds to assure that Federal agencies, which have vital responsibilities for non-military defense, will be enabled to discharge these crucial functions.

The nature of nuclear war places upon the American people the responsibility for considerable action and sacrifice to insure their own security. This is clearly spelled out in the national plan for civil defense and defense mobilization and the national shelter policy.

But the American people have the right to expect of their Government intelligent and aggressive preparation to carry out its essential defense role and to do those things which are beyond the capability of individuals.

I believe the American people will demand this. As an indication of the growing public desire for a strong civil defense, I call your attention to the unanimous vote by which the Governors' conference at San Juan passed a resolution supporting the national fallout shelter program. I was pleased by this action.

There persists in many minds the image of civil defense as something apart from regular government, something which would spring into being to bear the vast responsibilities of home defense and recovery in case of attack. This is a false image.

The responsibilities for civil defense in this Nation rest squarely on regularly constituted government at local, State, and Federal levels, and upon people.

There is before the conferees on the present independent offices appropriation bill my request for \$12 million to match funds spent by State and local governments for personnel and administrative costs of civil defense. It is most urgent that this item be approved.

Matching funds are required to strengthen civil defense at the State and local levels, the very heart of civil defense, and to give tangible evidence of Federal leadership in encouraging State and local governments to prepare the defenses for the people. These funds will implement Public Law 85-606.

Civil defense, the defense of our people in the missile age, is the joint responsibility of the Federal, State, and local governments; no one level of government can do the whole job. The partnership among the Federal, State, and local governments never was more intimate or more necessary.

The Office of Civil and Defense Mobilization and State and local civil defense offices serve a staff function to help elected officials perform their vital home defense roles by using all the built-in capability of existing government structure.

Within the Federal Government there are departments and agencies peculiarly competent to cope with many of the diverse problems that would come with nuclear war.

The request I am resubmitting today is for funds needed to permit these specially competent agencies to contribute their experience, knowledge, and resource to the total effort required.

The request is modest. But these modest funds will enable the Federal Government to take a long stride toward mobilizing its total resources to meet this problem.

The history of appropriations for Federal agency preparedness is most unfortunate. In fiscal year 1959, departments and agencies were asked to include funds necessary to finance all their civil defense and defense mobilization functions as a part of their regular budget estimates. The Congress eliminated these defense funds and directed that these departmental requests be consolidated in the budget for the Office of Civil and Defense Mobilization.

For fiscal year 1960, my budget for the Office of Civil and Defense Mobilization included \$12 million to be allocated among nine departments and agencies needed to finance civil defense and defense mobilization programs. The \$3 million provided does not enable the Federal Government to carry out the responsibilities contained in the National Security Act, the Defense Production Act, and the Federal Civil Defense Act.

It would be unwise to neglect our civil defense mission because our total defense is incomplete and meaningless without reliable and responsible home defense. Survival cannot be guaranteed merely with a capacity for reprisal. Equally important is our ability to recover. This means staying power and endurance beyond that ever before required of this Nation or any nation.

I recommend that the Congress appropriate the funds outlined above to carry out these programs which are so vital to the national security. The details of this proposed appropriation are set forth in the attached letter from the Director of the Bureau of the Budget.

Respectfully yours,

DWIGHT D. EISENHOWER.

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., August 25, 1959.

The PRESIDENT,  
The White House.

SIR: I have the honor to submit herewith for your consideration a proposed supplemental appropriation for the fiscal year 1960, in the amount of \$9 million, for the Office of Civil and Defense Mobilization, as follows:

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF CIVIL AND DEFENSE MOBILIZATION

SALARIES AND EXPENSES

"For an additional amount for 'Salaries and expenses', to be allocated for expenses necessary to discharge such civil defense and defense mobilization functions performed by other Federal agencies, as may be designated by the Office of Civil and Defense Mobilization, including payments by Department of Labor to State employment security agencies for the full cost of administration of defense manpower mobilization activities, \$9,000,000."

This proposed supplemental appropriation, together with funds included in the Supplemental Appropriation Act, 1960, is to provide for financing, on a consolidated basis, the essential civil defense and mobilization functions of Federal agencies other than the Office of Civil and Defense Mobilization. The additional funds requested would be allotted as follows:

|   |             |
|---|-------------|
| Department of Agriculture.....                    | \$477, 000  |
| Department of Commerce.....                       | 1, 057, 000 |
| Department of Health, Education, and Welfare..... | 4, 362, 000 |
| Housing and Home Finance Agency.....              | 150, 000    |
| Department of the Interior.....                   | 150, 000    |
| Department of Labor.....                          | 2, 079, 000 |
| General Services Administration.....              | 436, 000    |
| Post Office Department.....                       | 164, 000    |
| Federal Aviation Agency.....                      | 125, 000    |

I recommend that the foregoing proposed appropriation be transmitted to the Congress.

Respectfully yours,

MAURICE H. STANS,  
Director of the Bureau of the Budget.

STATEMENT OF THE DIRECTOR, OFFICE OF CIVIL AND DEFENSE MOBILIZATION

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you again in support of the appropriation requested for civil defense and defense mobilization.

For fiscal year 1960, we requested \$12 million (in H.R. 7978) to finance, on a consolidated basis the most essential nonmilitary defense preparedness functions of nine other Federal departments and agencies. The final action of Congress on this bill last week was the appropriation of \$3 million, a reduction of 75 percent, and a reduction of some \$850,000 below the funds appropriated in 1959 to continue on-going programs.

As you know, the President is deeply concerned over this sharp reduction in our nonmilitary defense funding, and I am here today requesting you to reconsider your previous action and appropriate an additional \$9 million for these vital programs.

In the event of a civil defense emergency resulting from a nuclear attack, this Nation would be dealt a staggering blow which would require all the resilient powers of the American people to survive, recover, and win.

The military retaliatory power represents a strong deterrent to a potential aggressor. Equally important, however, is a strong and reliable civil defense and mobilization readiness at home. We cannot expect the individual citizen or even the units of State and local government to aggressively pursue measures to insure survival until the Federal Government shows by action that it recognizes the threat and is taking positive action to improve the nonmilitary defense posture.

The approval of the appropriation of \$9 million will permit the initiation of vital action by the Federal Government. The objectives will be sought through use of the existing facilities and competence of the current Government structure to solve the many problems that must be faced in this nuclear age.

The subject of Federal agency preparedness has been caught between two divergent views in recent years—between those who believe that this function should be performed by a single agency just as military defense is performed by the Department of Defense, and those who believe that this function can best be carried out by the various Federal departments and agencies as a logical addition to their current peacetime missions with coordination by one agency. As a result of this difference and philosophy, the appropriations and work progress have suffered. This budgeting problem was resolved for the 1960 budget, however, by the submission of money requests for nonmilitary defense for all departments in a consolidated appropriation request under the Office of Civil and Defense Mobilization.

The Appropriation Committees of both houses of Congress have frequently expressed their preference for this central budgeting procedure.

The President, through OCDM, cannot adequately carry out his nonmilitary defense responsibilities unless he can call upon the normal resources of all Federal agencies and hold them responsible for accomplishment of emergency functions which they cannot prepare for under their normal appropriations. None of the programs represented by this request can be absorbed by the agencies since they have specifically excluded costs of nonmilitary defense from their regular budgets. We propose to take advantage of the existing potential of these agencies using their experienced personnel and established facilities, with primary emphasis placed on building a state of readiness in the field. I would like to point out that none of the \$9 million requested will be used for hiring personnel for the OCDM itself. This supplemental estimate finances only what we believe to be the most essential civil defense and defense mobilization function of the following agencies:

|                                      |                   |
|--------------------------------------|-------------------|
| Agriculture.....                     | \$477, 000        |
| Commerce.....                        | 1, 057, 000       |
| Health, Education, and Welfare.....  | 4, 362, 000       |
| Housing and Home Finance.....        | 150, 000          |
| Interior.....                        | 150, 000          |
| Labor.....                           | 2, 079, 000       |
| General Services Administration..... | 436, 000          |
| Post Office.....                     | 164, 000          |
| Federal Aviation Agency.....         | 125, 000          |
|                                      | <hr/> 9, 000, 000 |

The various agencies are here to individually explain their estimates.

## EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF CIVIL AND DEFENSE MOBILIZATION

### SUPPLEMENTAL ESTIMATE, FISCAL YEAR 1960

#### GENERAL STATEMENT

This fiscal year 1960 supplemental estimate for the Office of Civil and Defense Mobilization requests the appropriation of an additional \$9 million under the salaries and expenses account to finance, on a consolidated basis, the most essential nonmilitary defense preparedness functions of other Federal departments and agencies. This item augments the appropriation of \$3 million contained in H.R. 7978 and provides a total appropriation of \$12 million for these vital functions in fiscal year 1960.

In the event of a civil defense emergency, resulting from attack by weapons the potential enemy now possesses with full capability for rapid delivery with little or no warning, this Nation would be dealt a staggering blow which would require all the resilient powers of the American people to survive, recover, and win. The facts which are available today concerning this massive and terrifying problem demand that immediate steps be taken to prepare to withstand and survive such an attack.

The military retaliatory power represents a strong deterrent to a potential aggressor. Equally important, however, is a strong and reliable civil defense and mobilization readiness at home. We cannot expect the individual citizen

or even the units of State and local government to aggressively pursue measures to insure survival until the Federal Government shows by action and example that it recognizes the threat and is taking positive action to improve the non-military defense posture.

The approval of the appropriations requested herein will permit the initiation of such action by the Federal Government, in a manner that will afford maximum benefit from the dollars appropriated. The objective will be sought through utilization of the existing facilities and competence of the existing Government structure to solve the many problems that must be faced in this nuclear age.

The estimate is summarized by agency as follows, showing a distribution of the appropriation granted in H.R. 7978, the additional requirements, and the total program proposed for fiscal year 1960:

| Agency  | Appropriation granted | Additional requirements | Total 1960 program |
|---|-----------------------|-------------------------|--------------------|
| Department of Agriculture.....                    |                       | \$477,000               | \$477,000          |
| Department of Commerce.....                       | \$1,900,000           | 1,037,000               | 2,937,000          |
| Department of Health, Education, and Welfare..... | 138,000               | 4,362,000               | 4,500,000          |
| Housing and Home Finance Agency.....              | 125,000               | 160,000                 | 275,000            |
| Department of the Interior.....                   | 850,000               | 160,000                 | 1,010,000          |
| Department of Labor.....                          | 150,000               | 2,079,000               | 2,229,000          |
| General Service Administration.....               | 324,000               | 436,000                 | 760,000            |
| Post Office Department.....                       | 13,000                | 164,000                 | 177,000            |
| Federal Aviation Agency.....                      |                       | 125,000                 | 125,000            |
| Total.....  | 3,000,000             | 9,000,000               | 12,000,000         |

The roles to be performed by each of the above agencies have been spelled out in Executive orders currently being processed in the executive branch. These assignments to existing Federal agencies are in line with the overriding principle that existing government must provide the standby nonmilitary defense organization for leadership at all levels of community life. OCDM effort is limited to the provision of the basic plans; the coordination of all national efforts; and the filling of gaps where there is no existing potential.

In previous years, requests of other agencies have been submitted and supported on the basis that they are preparing for operational roles which might be assumed by new agencies to be created after attack. This policy has been thoroughly restudied and revised by Cabinet action, with the result that this budget proposes that the existing agencies will be the emergency agencies for their assigned mission and prepare after attack. Unless these agencies prepare now to assume their emergency roles, there may be no Government after attack.

Defense mobilization and civil defense have had an involved history since World War II. First, there was the consolidation of the National Resources Board and the Office of Defense Mobilization. Then the complex Defense Production Act was assigned to ODM to administer on behalf of the President. At almost the same time the Federal Civil Defense Administration was created as an independent agency. A certain amount of jurisdictional overlapping between ODM and FCDA was only recently solved by their merger.

Appropriations for Federal agencies having civil defense and mobilization missions have not been adequate in recent years, due primarily to difficulties in arriving at a satisfactory budgeting procedure. Both the Federal Civil Defense Administration and the Office of Defense Mobilization advocated the principle that each agency should budget and finance its own preparedness functions; however, various congressional appropriation committees have frequently indicated a preference for central budgeting. During the congressional hearings on the reorganization plan to merge FCDA and ODM, the Bureau of the Budget resolved this problem by agreeing to submit a single appropriation request for the civil defense and defense mobilization costs of all Federal agencies.

This budget reflects this consolidation of costs and presents to the Congress, for the first time, a package appropriation request for all major programs for strengthening nonmilitary defense preparedness.

A glance at page 10 will show that most of the major basic needs for survival are being assigned to existing Federal agencies normally concerned with these functions. No staff now exists in OCDM to carry out these missions from an operating point of view. An improved preparedness stature in these areas is entirely dependent upon the operational potential of other existing Federal agencies.

It is important that the entire budget for nonmilitary defense be considered as a national security requirement over and above the regular budgets of the agencies concerned. Reorganization Plan No. 1 of 1958 which consolidated the Office of Defense Mobilization and the Federal Civil Defense Administration to form a new Office of Civil and Defense Mobilization in the Executive Office of the President was conceived with such a purpose in mind. Without the funds requested herein, there will continue to be a huge gap in Federal, and therefore, national preparedness.

One way to highlight the various work programs proposed for 1960 and provide a means of analysis is to break down the budget request in terms of assignments covering the basic needs for survival. This distribution and a discussion of each of the basic needs follows:

|                                  | Appropriation granted | Additional requirements | Total 1960 program |
|----------------------------------|-----------------------|-------------------------|--------------------|
| Health and welfare.....          | \$272,000             | \$4,414,000             | \$4,686,000        |
| Food.....                        | 14,000                | 501,000                 | 515,000            |
| Lodging.....                     | 125,000               | 150,000                 | 275,000            |
| Power.....                       |                       | 60,000                  | 60,000             |
| Fuel.....                        | 350,000               | 81,000                  | 431,000            |
| Other essential commodities..... | 1,715,000             | 700,000                 | 2,415,000          |
| Manpower.....                    | 150,000               | 2,079,000               | 2,229,000          |
| Communications.....              | 324,000               | 436,000                 | 760,000            |
| Transportation.....              | 50,000                | 320,000                 | 370,000            |
| Education.....                   |                       | 250,000                 | 250,000            |
| Total.....                       | \$3,000,000           | \$8,000,000             | \$12,000,000       |

#### *Health and welfare*

The health and welfare program is being given the most emphasis in this budget (\$4,686,000), partly because it is one of the most important elements of national survival and partly because an emergency medical care program is one of the most difficult to organize.

We were unable to organize the medical profession through local civil defense channels. We therefore appealed to the American Medical Association for guidance and a new Executive order assigning the entire health program to the Public Health Service is the result.

This year's budget provides for the preliminary work to be undertaken at the national, regional, and State levels for the entire Nation, but limits local organization efforts to one region as a pilot program. In one region, yet to be selected, the Public Health Service will carry the task of organizing the medical and related professions right down to the community level.

Radiological monitoring and fallout forecasting are deemed to be an essential supporting function of the health program. The fallout forecasting job being done by the Weather Bureau (\$297,000) is now a well-developed program in seven regions. The funds requested are for continuance and for extending the capability to our new eighth region in the northwest. Radiological monitoring, like warning and weather forecasting, is of necessity a national program. Our total program calls for 150,000 monitoring stations of which 15,000 are in place, instruments furnished and personnel trained. This budget includes funds (\$140,000) for training Department of Agriculture employees in the Forest Service and Agriculture field offices necessary to man 450 new monitoring stations.

The job of providing guidance to States in the development of community organizations is included in the health category since a central community organization is necessary to coordinate the tasks of providing the basic survival needs for casualty care, feeding, clothing, registration, lodging, etc. This also is a new assignment for the Department of HEW, which estimates that \$578,000 will be required for its development. This category includes \$177,000 for the Post Office for organizing and training its field forces in administering the national registration and family locator system being developed in cooperation with HEW.

#### *Food*

In this area both the Department of Agriculture and the Food and Drug Administration normally do a great deal of work which has defense value and with only a little extra effort can absorb many preparedness functions in their headquarters office. This does not apply, however, to the extensive development of emergency procedures, the organizing, or the training of field forces to provide

Federal supply support to local communities. For the latter purposes we are requesting only \$165,000 for the Department of Agriculture and \$178,000 for the Food and Drug Administration. Since rural firefighting is primarily directed at the protection of crops and livestock this item of \$35,000 along with field coordination at \$137,000 are included in the total food figure above.

#### *Lodging*

The Housing and Home Finance Agency has been assigned the primary responsibility for refining plans and procedures for the guidance of States and for Federal support concerned with emergency billeting, temporary lodging, interstate movement of mobile lodging units, and the construction of new housing developments to replace bombed-out areas or to support key war industries. For this purpose we are requesting \$275,000 for HHA who will work closely with the Social Security Administration on coordinating billeting plans and guidance with other community survival needs and with the Public Health Service with regard to community facilities.

#### *Power*

The figure of \$69,000 in no way represents the relative importance of electric power to defense. We are utterly dependent upon power, not only for the production of war goods and essential civilian goods, but our very survival depends on it for cooking food, heating dwellings, and for essential lighting. The amount is small because the Department of Interior has been able, through its normal contacts with the power industry, to stimulate industry association planning and emergency organization measures. Funds are now needed to expand an executive reserve and bridge the procedural gap between industry and the community civil defense organizations.

#### *Fuel*

Fuels, namely oil, gas, and coal, like power, are a basic need for survival. As in the case of power, the Department of Interior has been able to stimulate self-preparedness measures in the oil and gas industry, but needs \$120,000 to develop an executive reserve and provide procedures for a tie-in between industry, Federal and State, and community organizations.

Minerals mobilization, notably coal, presents a more complex problem of organization and transportation. For this the Department of Interior has been financing a Minerals Mobilization Office in its regular budget and is dependent upon OCDM for the \$311,000 necessary to continue the present staff and to add a few additional employees in the field to complete the work started under an FCDA delegation, toward organizing the coal industry.

#### *Essential commodities*

This category, estimated at \$2,415,000 includes \$1,775,000 for the Business and Defense Services Administration of Commerce, \$450,000 for the Census Bureau for providing basic industry damage assessment data, and \$190,000 for regional industrial coordination in Commerce.

BDSA presents a unique appropriation problem in view of the expressed desire of Congress to isolate all identifiable costs of civil defense and mobilization for separate consideration. The total appropriation request for the BDSA for fiscal year 1960 is \$6,030,000. This compares with the \$7,048,100 estimated available for fiscal year 1959. However, when adjustment is made for the method of funding the activities directly related to the agency's defense mobilization program, the amount being requested for fiscal year 1960 from all sources would permit carrying on the agency activities at approximately the fiscal year 1959 levels. The mechanics of the adjustment are described below.

For purposes of preparing the budget request of the BDSA for fiscal year 1960, the agency's activities have been divided into two broad groupings. The first of these consists of those programs designed to promote and develop the commerce and industry of the United States. Carrying out this statutory responsibility of the Secretary of Commerce for contributing to the economic growth of the Nation has become, in recent years, a major element in the total effort to insure national security. A detailed description of these activities is provided under the activity heading "Industries and commodities" in the regular Commerce budget.

The second group of activities are those directly related to the nonmilitary industrial mobilization program of the Government. In recommending the appropriation of funds for fiscal year 1959, the Appropriations Committee of the House of Representatives indicated that it would be expected that mobilization functions assigned to the BDSA by the OCDM would be funded under the OCDM



budget and would not appear in the Commerce appropriation request. This has been done.

The division of the BDSA budget in accordance with the committee's request applies solely to the program activity termed "Industries and commodities." It is in this activity in which both defense mobilization and essential nondefense programs are carried on. With the exception of a few positions, the time of each person included in this budget item is devoted partly to defense and partly to nondefense activities. An analysis has been made of the time devoted to each of these programs by each person. On the basis of these time records, the sum of \$1,700,000 is estimated to have been spent during 1959 on activities directly related to defense mobilization functions assigned by OCDM.

Accordingly, the total estimate for industries and commodities (\$3,519,000), \$1,700,000 is included in this budget. The remaining \$1,819,000 was included under the activity "Industries and commodities" in the appropriation request of the Department of Commerce.

#### Manpower

The Department of Labor has been given a massive assignment, but like the Department of HEW has been admonished by its appropriation committee not to absorb any civil defense or mobilization preparedness costs.

The Department of Labor's fiscal year 1960 program for civil and defense mobilization is predicated on the urgent and essential need to develop as quickly as possible an acceptable capability at all levels of Government to meet manpower problems under attack conditions.

Experience gained in Operation Alert 1958 demonstrated clearly the tremendous problems of manpower shortage for which solutions must be sought. The exercise indicated that overall deficits of at least 25 percent would have to be met even after assuming extraordinary expansion of the labor force.

Most significantly, the publication of the national plan for civil defense and defense mobilization stresses the necessity to develop rapidly a higher level of operational readiness at State and local levels. The plan also delineates an expanded scope of program responsibilities involving the delegation of increased operating authority and responsibility to field officials.

The State employment service offices will be developed as the backbone of the manpower control organization at the community level. Since these offices are operated on 100 percent grants of Federal funds administered by the Department of Labor, special appropriation language is proposed to enable the Department to use \$1,218,100, of the \$2,229,000 requested, for financing a few professionals in each State to devote their full time to organizing and training local employment offices to deal with a war situation.

#### Communications

There is no general assignment to any Federal agency covering emergency communications problems. This is now being handled by the OCDM staff.

The \$760,000 included for the General Services Administration is to continue, at a minimum level, the existing contracts for the nationwide communications network assigned to serve the Federal Government relocation facilities. This system originated in fiscal year 1958 and has previously been financed by appropriations made directly to GSA.

#### Transportation

OCDM's transportation office serves as the operating nucleus for an emergency transportation agency. This is made necessary because of the diffusion of Federal transportation functions throughout the Government. The situation is as follows:

Rail: Rolling stock and railroads..... ICC.

Motor:

Trucks and buses..... ICC.

Highways..... BPR (Commerce).\*

Shipping:

Inland shipping..... ICC.

Inland waterways..... Corp of Engineers (DOD).

Coastal and foreign shipping..... Maritime Administration (Commerce).\*

Ports and facilities..... Do.\*

Air:

Airlift capability..... FAA.\*

Airlift utilization..... DATA (Commerce).\*

Pipeline:

Pipelines and storage for oil and gas... Interior.\*

Pipelines and storage for water..... HHFA and HEW.\*

Executive orders assigning emergency transportation responsibilities to the above agencies are now limited to those with an asterisk. This budget includes only \$245,000 for Commerce and \$125,000 for the Federal Aviation Agency. New assignments to the Interstate Commerce Commission and the Corps of Engineers are now being studied. In the event that these new assignments are finalized in the near future, any necessary costs related to their immediate implementation will be absorbed from the total program of \$12 million requested in this budget.

#### Education

Due to the relatively large science education and adult education program being sponsored by the Office of Education in HEW under their regular appropriations, the very small amount of \$250,000 is included in this budget to renew the program started in 1957 to provide civil defense materials for inclusion in school curriculums at all levels of public education.

### SALARIES AND EXPENSES

#### Summary of estimates

| Activities   | Page reference | Presently available, 1960 | Revised estimate, 1960 | Difference |
|--|----------------|---------------------------|------------------------|------------|
| I. Department of Agriculture.....                      | A-1            |                           | \$477,000              | +\$477,000 |
| II. Department of Commerce.....                        | H-1            | \$1,900,000               | 2,957,000              | +1,057,000 |
| III. Department of Health, Education, and Welfare..... | C-1            | 135,000                   | 4,500,000              | +4,365,000 |
| IV. Housing and Home Finance Agency.....               | D-1            | 125,000                   | 275,000                | +150,000   |
| V. Department of the Interior.....                     | E-1            | 350,000                   | 500,000                | +150,000   |
| VI. Department of Labor.....                           | F-1            | 150,000                   | 2,229,000              | +2,079,000 |
| VII. General Services Administration.....              | G-1            | 324,000                   | 780,000                | +456,000   |
| VIII. Post Office Department.....                      | H-1            | 13,000                    | 177,000                | +164,000   |
| IX. Federal Aviation Agency.....                       | I-1            |                           | 125,000                | +125,000   |
| Grand total.....                                       |                | \$3,000,000               | 12,000,000             | +9,000,000 |

The "Presently available" column is based on the "Salaries and expenses" appropriation for civil and defense mobilization functions contained in the Supplemental Appropriation Act, 1960. The regular annual act for 1960 is excluded since this appropriation is pending before the House and Senate conferees.

### GENERAL STATEMENT

Chairman HAYDEN. We will be glad to hear from you, Governor Hoegh, as to any further justification of the \$9 million again requested.

Mr. HOEGH. Mr. Chairman and members of the committee, I will be brief because the record that we have presented previously, I think, is rather complete and does state our position quite well.

I would like to point out again that we appreciate this opportunity to support the request for the additional \$9 million for delegate agencies to perform civil and defense mobilization functions as delegated to them by the President of the United States.

### LETTER FROM THE PRESIDENT

I would, if I may, sir, like to read a few of the excerpts from the President's letter which he sent to the President of the Senate in support of this most important request.

Chairman HAYDEN. You may do so.

Mr. HOEGH. I quote:

Along with our military defense and retaliatory forces, civil defense and defense mobilization are vital parts of the Nation's total defense. Together they stand as a strong deterrent of war. \* \* \*

The nature of nuclear war places upon the American people the responsibility for considerable action and sacrifice to insure their own security. \* \* \*

The American people have the right to expect of their Government intelligent and aggressive preparation to carry out its essential defense role and to do those things which are beyond the capability of individuals. \* \* \*

I believe the American people will demand this."

Then the President continues:

The Office of Civil and Defense Mobilization and State and local civil defense offices serve a staff function to help elected officials perform their vital home defense roles by using all the built-in capabilities of existing Government structure.

Within the Federal Government there are departments and agencies peculiarly competent to cope with many of the diverse problems that would come in nuclear war.

The request I am resubmitting today is for funds needed to permit these special competent agencies to contribute their experience, knowledge, and resources to the total effort required.

The request is modest. But these modest funds will enable the Federal Government to take a long stride toward mobilizing its total resources to meet this problem.

It would be unwise to neglect our civil defense missions because our total defense is incomplete and meaningless without reliable and responsible home defense. Survival cannot be guaranteed merely with a capacity for reprisal. Equally important is our ability to recover. This means staying power and endurance beyond that ever before required of this Nation or any nation.

I recommend that the Congress appropriate the funds outlined above to carry out these programs which are so vital to the national security.

These are part of the words of the President in support of this request for the additional \$9 million.

Let me assure this committee that none of these funds are for the Office of Civil and Defense Mobilization, but all of them will be expended by the agencies to whom certain functions have been delegated by the President.

#### ITEMS IN CONFERENCE

Senator SALTONSTALL. This Presidential letter involves two subjects. In the original independent offices bill which is still in conference, on one item you had in, Governor Hoegh, \$12 million for contributions by the Federal Government to State officials, plus \$3 million for equipment.

Mr. HOEGH. Yes, sir.

Senator SALTONSTALL. Those items are still in conference between the House and the Senate.

Mr. HOEGH. Yes, sir, the item on contributions to the States.

Senator SALTONSTALL. The Senate put them in and the House did not put them in.

In addition to that, in the supplemental budget you had another \$12 million request which went through the conference at \$3 million.

Mr. HOEGH. Yes, sir.

Senator SALTONSTALL. That was the \$3 million for the cost of continuing your going program.

What you are asking now is \$9 million to carry out your new program. That is the expense of taking over all the various departments of Agriculture, Commerce, Health, Housing, Interior, Labor, General Services, Post Office, and Federal Aviation, and that in your original budget was \$8,350,201; is that correct?

I know it is correct because I have the figures here.

Mr. HOEGH. Senator Saltonstall, the Senate stood for \$3,650,000 of the total of \$12 million. However, after conference it then came out as \$3 million.

Senator SALTONSTALL. That is correct. So you are asking for the \$650,000 on the cost of continuing the going program and the \$8,350,000 for the new program?

Mr. HOEGH. Yes, sir.

Senator SALTONSTALL. And what you are asking for was turned down in the supplemental budget?

Mr. HOEGH. That is correct.

#### REQUEST FOR RECONSIDERATION

Senator SALTONSTALL. You are asking for a reconsideration?

Mr. HOEGH. Yes, sir.

Senator SALTONSTALL. The original \$12 million in the original independent offices has not yet been decided and we do not know what the decision on that will be.

Mr. HOEGH. We hope that the Senate will be sustained.

The President is interested in both of these requests, personally interested, sir.

I would like to conclude with another remark he made in this letter:

The \$3 million provided does not enable the Federal Government to carry out the responsibilities contained in the National Security Act, the Defense Production Act, and the Federal Civil Defense Act.

Senator ELLENDER. Mr. Hoegh, it is safe to say that the request you are making this morning has nothing to do with this OCDM item that is now in contention in conference?

Mr. HOEGH. That is correct, sir.

Chairman HAYDEN. Are there any further questions, gentlemen?

If not, we thank you.

Mr. HOEGH. Thank you.

The other agencies are here, Mr. Chairman, if you would like to hear them, but I assume it is not necessary to do so.

Chairman HAYDEN. It will not be necessary.

Mr. HOEGH. Thank you, sir.

## HOUSING AND HOME FINANCE AGENCY

### VOLUNTARY HOME MORTGAGE CREDIT PROGRAM, ADMINISTRATIVE EXPENSES STATEMENT OF JOHN M. FRANTZ, AGENCY BUDGET OFFICER

#### BUDGET REQUESTS

Chairman HAYDEN. We will hear now from the Housing and Home Finance Agency.

Next are two items requested for the Housing and Home Finance Agency: \$290,000 is requested for expenses of the voluntary home mortgage credit program, and \$3,100,000 is requested for urban planning grants.

Both items are contingent upon the passage of legislative authorization.

Mr. FRANTZ. That is correct, Mr. Chairman. These two items, are in substantial agreement in housing bills which have passed both Houses of Congress—both the vetoed bill, S. 57, and the presently pending bill, S. 2359.

Chairman HAYDEN. Very well. We will hear first from the item for the voluntary home mortgage credit program. The supplemental estimate and your justification will be placed in the record at this point, and you may proceed with your statement.

(The justification and supplemental estimate follows:)

#### SUPPLEMENTAL ESTIMATE IN SENATE DOCUMENT NO. 47

#### HOUSING AND HOME FINANCE AGENCY

#### OFFICE OF THE ADMINISTRATOR

#### SALARIES AND EXPENSES

"For an additional amount for 'Salaries and expenses', \$200,000, of which \$220,000 shall be available only upon the enactment into law of legislation continuing beyond September 30, 1959, the program authorized by Title VI of the Housing Act of 1954, as amended (68 Stat. 690, 637)."

This proposed supplemental appropriation is to finance operations of the voluntary home mortgage credit program during the fiscal year 1960. This program recently was extended from July 31 to September 30, 1959. Authorization is included in the pending housing legislation which would cover operations for the remainder of the year. Therefore, this estimate is proposed to meet requirements for the full year with the greater part to become available contingent upon the enactment of legislation extending the program.

#### VOLUNTARY HOME MORTGAGE CREDIT PROGRAM

#### Program highlights

|                            | 1958 actual | 1959 actual | 1960 estimate |
|----------------------------|-------------|-------------|---------------|
| Applications received..... | 13,406      | 12,516      | 42,000        |
| Referrals.....             | 19,900      | 15,138      | 84,000        |
| Loans placed:              |             |             |               |
| Number.....                | 6,604       | 6,112       | 15,000        |
| Amount (in millions).....  | \$68        | \$62        | \$180         |
| Administrative expenses:   |             |             |               |
| June 30 employment.....    | 49          | 26          | 42            |
| Total obligations.....     | \$478,400   | \$241,000   | \$290,000     |

*Summary of budget request*

The present budget request is for appropriation of an additional \$290,000 under the head "Salaries and expenses, Office of the Administrator." Of this amount, \$70,000 would be made available immediately; the balance of the supplemental appropriation, under the proposed appropriation text, would become available only upon enactment into law of legislation extending the basic authority for the program after the presently scheduled expiration date of September 30, 1959.

## INTRODUCTION

Title VI of the Housing Act of 1954, as amended, provides for the Voluntary Home Mortgage Credit Program. The purpose of this program is to facilitate the flow of private funds for FHA-insured and VA-guaranteed home mortgage loans into remote areas and small communities where there may normally be a shortage of local capital or inadequate institutional facilities. The program is also designed to operate in any area to facilitate the financing of housing for occupancy by members of minority groups who have been unable to obtain FHA-insured or VA-guaranteed mortgages on reasonable terms. The basic authorization for the program was extended from July 31, 1959, to September 30, 1959, by joint resolution (Public Law 86-119), approved by the President on July 31. This action was accomplished by unanimous consent in both Houses, and we believe there is no reason to doubt that this program, which has always enjoyed bipartisan support in the Congress, will be further extended before September 30.

The Voluntary Home Mortgage Credit Program was proposed to the Congress by private organizations active in the home-financing and home-construction fields. Under the act, the Government provides staff assistance, office space and related facilities. Private industry provides on a voluntary basis the membership of the national and regional committees through which the program operates and formulates its policies.

All loans made under the program are made by private lenders with their own investment funds, and all expenses incident to the usual processing, as distinguished from the VHMCP referral process, are borne by lenders.

*Organization*

The program is operated by a national committee, with the Housing and Home Finance Administrator as chairman, and five regional committees. The membership of these groups is representative of the principal segments of the housing- and home-financing industry. Committee members serve on a voluntary basis. The committees act as clearinghouses, assisting applicants by placing insured and guaranteed loans with private financing institutions participating in the program.

In addition to the industry membership on the national and regional committees, the statute provides for a number of advisory, nonvoting members from the Federal Home Loan Bank Board, the Federal Housing Administration, the Veterans' Administration, and the Board of Governors of the Federal Reserve System.

*Areas of operation*

The national committee has established that all VA direct loan areas, plus a number of cities and towns of less than 25,000 population in 1950, are eligible for assistance. The program does not assist in making mortgage credit available in areas experiencing only a temporary shortage of funds. Since mortgage credit appears to be inadequate from normal sources for members of minority groups throughout the country, there are no area restrictions for minorities.

*National committee functions*

The national committee supervises and sets policies for the operation of the entire program. It is required to study and review demand and supply of funds for residential mortgage loans in all parts of the country and to correlate the activities of the regional committees. The Housing and Home Finance Administrator, as chairman of the national committee, is required by April 1 of each year to make a full report to Congress of the operations of the program.

*Regional committee operations*

The staff of each regional committee maintains a rotating referral procedure by which loan applications are referred to participating lending institutions. The staff also provides data for the statistical records of program operation.

An individual or builder eligible for the program's assistance who is seeking FHA-insured or VA-guaranteed mortgage financing for the purchase or construction of a home or group of homes may submit an application for assistance to a

regional committee. The applications must be accompanied by a certification that the applicant has been refused the type of loan requested by two local or reasonably accessible private lending institutions. The regional committee refers the application to lenders who are participating in the program. The referral process is repeated until the loan has been committed for by a lender or until it becomes clear that the loan cannot be placed. All participating lenders apply their own lending standards. The regional executive secretaries are authorized to screen incoming applications and reject those cases which obviously do not meet the minimum requirements of participating private lenders.

#### SUMMARY OF PROGRAM RESULTS

The voluntary home mortgage credit program has now been operating for 4½ years. As of July 1959, the program had received 115,586 applications for mortgage assistance, of this 1,005 were in process. On that same date, 39,695 loans for an aggregate of approximately \$390 million had been placed. The detail of this record, showing number and dollar volume by type of applicant assisted and average mortgage amounts as of July 1959 is shown in the following table:

| Type of applicant | Loans placed |                  |         |
|-------------------|--------------|------------------|---------|
|                   | Number       | Estimated amount | Average |
| Individual.....   | 33,932       | \$339,000,000    | \$9,700 |
| Lender.....       | 27           | 300,000          | 11,400  |
| Builder.....      | 4,736        | 61,000,000       | 11,000  |
| Total.....        | 39,695       | 390,300,000      | 10,000  |

The VHMCP has accomplished much that is not reflected in the statistics. Many lending institutions have extended their normal lending business into areas and to groups they have served for the first time through VHMCP. Lenders have moved into areas where private lenders previously operated only on a highly selective and restrictive basis, if at all. The areas in which VHMCP operates—previously neglected by the private lending industry—are a reservoir of good loans.

The 33,932 loans placed for individual applicants through July 1959 represents a placement ratio of almost 40 percent of applications completely processed. This is considered to be a very high ratio of placement in view of the marginal quality of many of the applications received.

More than 22,000 of the loans under the program have been for veterans. There is no doubt that the VHMCP has provided a means of financing housing for veterans in rural areas within the framework of the private enterprise system without vast Government outlays. During the period when the interest rate on VA-guaranteed loans was fully competitive with general market interest rates, the performance under the program in placing VA loans for veterans in credit-short areas was outstanding. The recent increase in the interest rate on VA-guaranteed loans from 4½ to 5½ percent is expected to permit the VHMCP to do this job again and permit a reduction in the use of public funds for direct mortgage lending by the Veterans' Administration.

VHMCP has been an effective medium for serving the home-financing needs of special groups with special problems. The program was successful in channeling over \$5 million of private mortgage funds into Puerto Rico. Considerable progress has also been made in the placement of FHA section 809 loans, providing for housing for essential military personnel at military installations.

The major beneficiaries of the program have been families of modest means who buy low-priced homes. Persons having incomes of between \$3,000 and \$6,000 a year have obtained 49 percent of the home mortgage loans made through the VHMCP. Of the total number of dwellings bought with VHMCP-placed loans, 55 percent were in the \$5,000 to \$11,000 price range.

Through the influence of the VHMCP, the opportunity for home ownership has been increased in previously neglected areas of the housing market. The overall effect of the program has been a stimulation of the housing market in small towns and of minority families everywhere. Prospective home buyers in small communities—and members of minority groups everywhere—have obtained private mortgage loans in greater quantity, at lower downpayments and with longer

maturities, and at lower interest rates than have previously been available to them. The table below shows the number of applications, referrals, and loans placed since the start of program operations:

| Fiscal year             | Applications    |         |          |        |
|-------------------------|-----------------|---------|----------|--------|
|                         | Owner occupants | Lenders | Builders | Total  |
| <b>Applications:</b>    |                 |         |          |        |
| 1955 last half.....     | 11,000          | 34      | 92       | 11,225 |
| 1956.....               | 30,779          | 9       | 197      | 30,985 |
| 1957.....               | 41,322          | 0       | 84       | 41,606 |
| 1958.....               | 13,289          | 0       | 117      | 13,406 |
| 1959.....               | 12,470          | 4       | 42       | 12,516 |
| 1960 July.....          | 1,248           | 0       | 0        | 1,248  |
| <b>Referrals:</b>       |                 |         |          |        |
| 1955 last half.....     | 17,065          | 35      | 128      | 18,158 |
| 1956.....               | 62,490          | 16      | 616      | 63,122 |
| 1957.....               | 55,010          | 0       | 389      | 55,399 |
| 1958.....               | 19,641          | 0       | 259      | 19,900 |
| 1959.....               | 15,060          | 5       | 73       | 15,138 |
| 1960 July.....          | 1,787           | 0       | 0        | 1,787  |
| <b>Loan placements:</b> |                 |         |          |        |
| 1955 last half.....     | 1,585           | 5       | 222      | 1,812  |
| 1956.....               | 11,205          | 22      | 2,049    | 13,276 |
| 1957.....               | 10,633          | 0       | 1,198    | 11,831 |
| 1958.....               | 5,051           | 0       | 1,613    | 6,664  |
| 1959.....               | 3,458           | 0       | 654      | 4,112  |
| 1960 July.....          | 863             | 0       | 0        | 863    |

#### *Assistance for minority groups*

VHMCP records do not differentiate between loans placed where the borrower is a member of a minority group and those where the borrower is not. However, in metropolitan areas where only minority groups are eligible for VHMCP assistance, the program has placed more than 9,000 loans amounting to over \$90 million. Based on this record alone, a minimum of one out of every four loans placed by VHMCP is placed on behalf of a member of a minority group. In addition, many minority loans are made in remote areas and small communities which are not reflected in program statistics.

#### WORKLOAD ESTIMATES

During the first 2½ years of program operations the bulk of applications, referrals, and loan placements were in the VA-guaranteed loan field. However, increasing stringency in the money market and the inability of the VA-guaranteed mortgage to adjust to changing credit and capital conditions during fiscal years 1958 and 1959 brought about a steady decline in VA activity under the program. During these 2 years most of the lending institutions which originally agreed to participate in VHMCP were forced to withdraw their assistance on VA loans, as other forms of investment made large demands on available funds. As a result, the VHMCP discontinued its procedure of referring veterans' applications for VA direct loans to private lenders, a procedure which had had a marked success in reducing the demand for VA direct lending in the earlier years.

Accordingly, during fiscal years 1958 and 1959 most of the loans placed by the program were in response to applications from individuals and builders who applied directly to VHMCP for assistance rather than in response to applications from veterans who had first applied to the Veterans' Administration for direct loans and for whom the VHMCP carried out a private loan-referral process.

As a result of the general withdrawal of private lenders from the 4½-percent VA-guaranteed loan market and the policy of the Veterans' Administration of not referring VA direct loan applicants to the VHMCP in areas where private lender coverage for VA loans was determined to be inadequate, the number of applications for VA-guaranteed financing received in fiscal years 1958 and 1959 decreased from the volume in 1956 and 1957. However, coincident with this decline in VA activity there was a significant increase in FHA assistance requested through the VHMCP.

The recent increase in the VA interest rate from 4½ to 5½ percent is expected to reverse the downward trend in VA activity experienced during the past 2 years. Evidence of this change may be drawn from the experience of the program in July, the first month in which the new higher VA interest rate was effective—



applications for assistance were 1,248, referrals numbered 1,787, and 863 loans were placed for an estimated \$10 million. As this trend continues and private lending institutions are drawn again into the market for VA-guaranteed loans at the new higher interest rate, the program anticipates receiving 42,000 applications during fiscal year 1960, resulting in approximately 84,000 referrals. On the basis of experience it is estimated that loan placements will number some 15,000 and amount to approximately \$150 million.

This estimate of workload in fiscal year 1960 is based specifically on the following factors:

1. As mentioned above, the increase in the maximum interest rate on VA loans from 4½ to 5½ percent. A resurgence of VHMCP activity in placing VA-guaranteed loans in VA direct loan areas is anticipated.

2. The unsatisfied backlog of demand for homes in small communities. The VHMCP represents the best available source for mortgage assistance for many families in these areas who have no other source of mortgage funds.

3. The accumulation of a backlog of 59,000 eligible veterans on the waiting list for VA direct loans whose applications cannot be processed because of inadequate authorization. VA direct loan funds will continue to fall short of meeting total requests; the VHMCP and private lending institutions will help meet the housing needs for a large number of the 59,000 individual veterans who have applied for VA direct loans.

4. The acute demand for housing for minority groups everywhere. VHMCP's record so far indicates that properly channeled mortgage funds can stimulate this largely neglected market. It is expected that the program will continue to provide a fuller and freer participation in the mortgage market for these groups.

An additional factor not specifically considered in arriving at the workload estimates, and which may increase the workload by a measurable factor, is the proposed broadening of the scope of the program to include efforts to achieve the maximum amount of private financing of housing programs eligible for special assistance from the Federal National Mortgage Association. It is expected that VHMCP can play an active role in placing urban renewal and relocation housing mortgages with private lending institutions in a competitive market.

#### ADMINISTRATIVE EXPENSES

The supplemental budget estimate for administrative expenses covering the staff of the national and regional committees, office space and related facilities during the fiscal year 1960 is \$290,000. Under the proposed appropriation text, \$70,000 would become available upon enactment of the appropriation. This amount is derived as follows:

|  |               |
|--|---------------|
| Estimated administrative expense obligations incurred and to be incurred, July 1 through Sept. 30, 1959.....     | \$50,000      |
| Estimated payments of terminal leave to separated employees if the program is allowed to expire on Sept. 30..... | 20,000        |
| <b>Total immediately available.....</b>  | <b>70,000</b> |

The proposed appropriation text would make the balance of the supplemental estimate—\$220,000—available upon enactment into law of legislation extending the program after September 30, 1959.

The requested supplemental appropriation is the amount required to handle the increased workload specified in the preceding section. The estimate anticipates the establishment of two new regional committees with necessary staff and related facilities.

In addition to the operating staff provided from Federal funds, the program receives policy guidance, direction, and support from 200 industry representatives serving on and advising the national and regional committees. These individuals, nominated by their trade associations, serve without compensation and are responsible for the operation of the program in their areas.

The present supplemental budget estimate seeks to meet the needs of the substantial anticipated workload with the minimum staff expansion consistent with the job to be done. The increase in the number of regional committees from five to seven is proposed in order to make the program's operating relationships with local lenders more efficient and productive as well as to cope with the antici-

pated overall increase in workload. The following table shows the location and proposed staffing of the seven regional committee offices:

| Region   | Location                  | Number of personnel |
|----------|---------------------------|---------------------|
| I.....   | Washington, D.C.....      | 5                   |
| II.....  | Atlanta, Ga.....          | 5                   |
| III..... | Nashville, Tenn.....      | 4                   |
| IV.....  | Chicago, Ill.....         | 6                   |
| V.....   | Dallas, Tex.....          | 5                   |
| VI.....  | Denver, Colo.....         | 6                   |
| VII..... | San Francisco, Calif..... | 5                   |
|          | Total.....                | 34                  |

In total, 1960 year-end employment is estimated to be 48, an increase of 25 from the 23 for June 30, 1959. The total estimate of administrative expenses for the VHMCP is \$290,000 in 1960, an increase of \$48,425 over the \$241,575 obligated in 1959.

The following table summarizes administrative expenses for this program:

*Comparison of administrative expenses*

| June 30 employment | Headquarters staff | Field locations | Total departmental |
|--------------------|--------------------|-----------------|--------------------|
| 1958.....          | 14                 | 25              | 49                 |
| 1959.....          | 10                 | 13              | 23                 |
| 1960.....          | 14                 | 34              | 48                 |

| Obligations                           | Adjusted, 1958 | Actual, 1959 | Estimate, 1960 |
|---------------------------------------|----------------|--------------|----------------|
| Personal services.....                | \$376,600      | \$199,390    | \$230,000      |
| Other objects of expense:             |                |              |                |
| Travel.....                           | 27,680         | 8,229        | 21,700         |
| Transportation of things.....         | 2,114          | 909          | 900            |
| Communication services.....           | 15,909         | 4,430        | 7,400          |
| Rents and utilities.....              | 6,741          | 2,228        | 2,200          |
| Printing and reproduction.....        | 7,163          | 2,408        | 2,800          |
| Other contractual services.....       | 14,643         | 9,807        | 8,800          |
| Supplies and materials.....           | 2,630          | 1,409        | 1,300          |
| Equipment.....                        | 878            | 705          |                |
| Retirement contributions.....         | 20,643         | 11,534       | 14,100         |
| Refunds, awards, and indemnities..... | 199            | 89           |                |
| Taxes and assessments.....            | 498            | 196          | 800            |
| Subtotal, other objects.....          | 98,800         | 43,195       | 60,000         |
| Total obligations.....                | 475,400        | 241,575      | 290,000        |

NATIONAL VOLUNTARY MORTGAGE CREDIT EXTENSION COMMITTEE

STATEMENT OF JOSEPH B. GRAVES, JR., EXECUTIVE SECRETARY

GENERAL STATEMENT

Mr. GRAVES. Mr. Chairman, my name is Joseph B. Graves, Executive Secretary of the National Committee of the Voluntary Home Mortgage Credit Program.

Mr. Mason, Administrator of the Housing and Home Finance Agency, is Chairman of the Committee.

It is my purpose to represent this organization today.

I have a three-page statement I can either highlight or read in its entirety.

Chairman HAYDEN. You may read it.

Mr. GRAVES. Thank you, sir.

Mr. Chairman and members of the committee, the regular budget of the Housing and Home Finance Agency for fiscal year 1960 included no estimate for the VHMCP. The administrative expense appropriation for VHMCP was to be proposed for later transmission following enactment of legislation extending the basic authority for the program.

The basic authorization for the program was extended from July 31, 1959, to September 30, 1959, by joint resolution, Public Law 86-119, approved by the President on July 31. This action was accomplished by unanimous consent in both Houses, and we believe there is no reason to doubt that this program, which has always enjoyed bipartisan support in the Congress, will be further extended before September 30.

The present budget request is for appropriation of an additional \$290,000 under the head "Salaries and expenses, Office of the Administrator."

Of this amount, \$70,000 would be made available immediately. The balance of the supplemental appropriation, under the proposed appropriation text, would become available only upon enactment into law of legislation extending the basic authority for the program after the presently scheduled expiration date of September 30, 1959.

#### PURPOSE OF PROGRAM

The purpose of the VHMCP is to facilitate the flow of private funds for FHA-insured and VA-guaranteed home mortgage loans into remote areas and small communities where there is a shortage of local financial institutions. The program is also designed to operate in any area to facilitate the financing of housing available for occupancy for members of minority groups.

The VHMCP was created under legislation sponsored by private organizations active in the home financing and home construction field. The functions of the program make possible the broadest possible distribution of VA and FHA funds to credit-short areas and to previously disadvantaged borrowers.

All loans made under the program are made by private lenders with their own investment funds, and all expenses incident to the usual processing of mortgage loans—as distinguished from the VHMCP referral process—are borne by the lenders.

Under the enabling legislation, the Government provides staff assistance, office space and related facilities.

#### MEMBERSHIP OF COMMITTEE

The activities of the program are carried on under the National Voluntary Mortgage Credit Extension Committee. This committee consists of the Housing and Home Finance Administrator as chairman and representatives of the various industry groups and trade associations involved in housing and mortgage finance, with advisory members from Government agencies in the housing field.

Regional committees, made up of representatives of the same industry groups and trade associations, supervise activities in their respective regions. Operating through the committees, the program

acts as a clearinghouse by bringing together eligible borrowers and lenders.

#### ACCOMPLISHMENTS TO DATE

Since the program began full operations in March 1955, over 39,000 families, unable to obtain FHA or VA financing from local sources, have borrowed nearly \$390 million from private lenders participating in the VHMCP. Over 60 percent of the loans are VA-guaranteed loans and about 23 percent of the total are for homes for minority-group families.

The major beneficiaries of the program have been families of modest means who buy low-priced homes in small communities. Were it not for the VHMCP, these families might well have lost out in the general competition for housing credit.

The statistical success of the program is only part of the story. The most important accomplishment of the VHMCP is the change produced in the normal lending activities of the Nation's financial institutions. Areas served by participating lenders for the first time through VHMCP are often served thereafter as a part of the lender's normal business. In this fashion, areas in the United States, which have for years been starved for mortgage financing on liberal terms, have found their needs served for the first time.

#### ADMINISTRATIVE EXPENSES

The estimate of administrative expenses for fiscal 1960 is \$290,000. This amount would support an expanded staff to handle a workload estimated at more than three times that experienced during fiscal 1959. The added staff would be assigned to bolster the existing five regional committees and to provide for the establishment of two additional regional committees in those areas where the larger volume of activity is anticipated.

The key assumption underlying the estimates of expanding workload is that there is an unsatisfied backlog of demand for low-priced homes in small communities. The VHMCP represents the best available source of mortgage assistance for modest-income families in these areas who have no other source of mortgage funds.

It is also assumed that VA direct loan funds will continue to fall short of meeting total requests. During fiscal 1960, the VHMCP and private lending institutions will help meet the housing needs for a large number of the 59,000 individual veterans who are waiting for VA home loans.

The VHMCP will also continue to provide a more equitable flow of mortgage credit to members of minority groups. By directing private capital into previously neglected areas of the housing market, the VHMCP can continue to be the mortgage medium for serving the home financing requirements of families who do not have access to mortgage credit.

Chairman HAYDEN. I think the committee is fairly well acquainted with the work of your organization. Have you any further statements?

Mr. GRAVES. No, sir.

Chairman HAYDEN. If not, we thank you very much.

Mr. GRAVES. Thank you, Mr. Chairman.

## GRANTS FOR URBAN PLANNING ASSISTANCE

STATEMENTS OF DAVID M. WALKER, COMMISSIONER, URBAN RENEWAL ADMINISTRATION; TRACY B. AUGUR, ASSISTANT COMMISSIONER FOR URBAN PLANNING ASSISTANCE; AND WILLIAM H. GELBACH, JR., DIRECTOR, ADMINISTRATIVE MANAGEMENT BRANCH

## BUDGET ESTIMATE

Chairman HAYDEN. For the urban planning assistance we have Mr. Walker, who will testify about that. Before his statement, we will insert for the record the supplemental estimate and the justification which has been filed.

(The supplemental estimate and justification follow:)

## SUPPLEMENTAL ESTIMATE IN SENATE DOCUMENT NO. 47

## HOUSING AND HOME FINANCE AGENCY

## OFFICE OF THE ADMINISTRATOR

## "URBAN PLANNING GRANTS"

"For an additional amount for 'Urban planning grants', \$3,100,000: *Provided, That this paragraph shall be effective only upon the enactment into law of legislation amending section 701 of the Housing Act of 1954, as amended, so as to authorize appropriation of the foregoing amount.*"

An appropriation of \$975,000 for urban planning grants in the fiscal year 1960 has been included in the Independent Offices Appropriation Act, 1960, now pending before the Congress. This amount exhausts the authorization for appropriation under existing law but is insufficient for the full year's requirements of the grant program. A supplemental appropriation of \$3,100,000 is therefore proposed contingent upon the enactment of legislation which has been recommended by the administration to extend and broaden the program and which is now under consideration by the Congress.

## Program highlights

(Dollars in thousands)

|   | 1958 actual | 1959 actual | 1960 estimate |
|---|-------------|-------------|---------------|
| Program activity (cumulative end of fiscal year):             |             |             |               |
| States and Territories with approved projects.....            | 81          | 41          | 81            |
| Urban planning assistance:                                    |             |             |               |
| Municipalities, counties, and other small areas involved..... | 718         | 1,013       | 1,483         |
| Metropolitan or regional areas involved.....                  | 82          | 93          | 133           |
| State and interstate planning (number of States).....         |             |             | 17            |
| Financial assistance (by year):                               |             |             |               |
| Contracts authorized.....                                     | \$3,034     | \$2,990     | \$4,368       |
| Disbursements.....  | \$1,953     | \$1,834     | \$3,600       |

## Summary of Budget request

The present supplemental request is for an additional appropriation of \$3,100,000 for urban planning assistance grants during the fiscal year 1960. This amount, added to the \$975,000 to be made available in the pending Independent Offices Appropriation Act, 1960, and unused funds brought forward from prior years, will permit the approval of planning grants during fiscal year 1960 aggregating \$4,368,000. Under the proposed appropriation text, the supplemental appropriation would be available only upon enactment into law of legislation increasing the authorization for such appropriations. Such legislation is contained in the pending Housing Act of 1960.

### Authorization

Section 701 of the Housing Act of 1954 authorizes matching grants (not to exceed 50 percent of the estimated costs) for planning assistance to help finance such activities as surveys, land-use studies, and the preparation of urban-renewal plans (but not the planning of specific public works). These grants are authorized to (1) State planning agencies for the provision of planning assistance to cities under 25,000 population lacking adequate planning resources, and (2) official State, metropolitan, or regional planning agencies for planning work in metropolitan or regional areas. The Housing Acts of 1956 and 1957 made certain additions to the original program, authorizing planning assistance, either directly or through State planning agencies, to cities of 25,000 or more population which have been damaged by flood, fire, or other disasters, and in federally impacted areas.

The 1954 act authorized appropriations up to \$5 million; this authorization was increased to \$10 million by the Housing Act of 1958.

The pending Housing Act of 1959 would further extend and expand the urban planning assistance program, as follows:

1. The authorization for appropriations would be increased from \$10 million to an aggregate of \$20 million.

2. The scope of the urban planning assistance program would be broadened—

(a) By authorizing grants to State planning agencies for assistance to (1) municipalities having a population of less than 50,000 (under present law, 25,000), (2) counties with a population of less than 50,000 (under present law, only to counties of 25,000 or more in case of disaster), and (3) any group of adjacent communities with a total population of less than 50,000 and common planning problems resulting from rapid urbanization (no comparable provision in present law);

(b) By authorizing assistance, where there is no official State planning agency, to some other State agency designated by the Governor and acceptable to the Administrator;

(c) By authorizing grants directly to any city and county which has suffered a major disaster (under present law, only to cities or counties with 25,000 or more population);

(d) By authorizing grants to State, metropolitan, and regional planning agencies for metropolitan or regional planning under interstate compacts as well as under State or local laws (under present law, only State or local law);

(e) By authorizing grants to State planning agencies for State and interstate comprehensive planning and research and coordination of activity related to such planning.

3. The pending amendments would also authorize the Administrator, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified metropolitan basis and provide technical assistance for such planning and the solution of problems relating to such planning. The pending legislation would also direct the Administrator to encourage comprehensive planning for States, cities, counties, metropolitan areas, and urban regions, and the establishment and development of the organizational units needed for such planning.

### Administration

Administration of the program has been delegated by the Administrator to the Urban Renewal Commissioner, with actual operations carried out through the HHFA regional offices. Major contacts with State, metropolitan, and regional planning agency personnel are conducted by urban renewal technicians in the regional offices. A small policy determination and program review staff under an Assistant Commissioner is located in the Urban Renewal Administration central office, to provide overall control and direction to the program.

This plan of organization recognizes the close relationship which exists between the urban planning assistance program and the urban renewal program and the common skills required in the economical operation of the program. Administrative expenses in connection with the urban planning assistance program are provided in the overall appropriation "Salaries and expenses, Office of the Administrator."

Actual planning services for the local communities and metropolitan or regional areas are performed by State or local technical staffs, by recognized planning consultant firms under contract with States or localities, or a combination of the two.

*Planning assistance for small areas*

(Dollars in thousands)

|  | Actual 1958 | Actual 1959 | Estimate 1960 |
|--|-------------|-------------|---------------|
| Number of different small areas involved (cumulative)..... | 715         | 1,013       | 1,485         |
| Project activity:  |             |             |               |
| Total projects during year.....                            | 92          | 161         | 272           |
| Active, beginning of year.....                             | 46          | 84          | 152           |
| Projects approved.....                                     | 46          | 75          | 120           |
| Projects completed.....                                    | 6           | 9           | 70            |
| Active, end of year.....                                   | 86          | 152         | 202           |
| Financial assistance:                                      |             |             |               |
| Contracts authorized.....                                  | \$1,927     | \$1,508     | \$2,400       |
| Disbursements.....   | 1,234       | 1,188       | 2,000         |

As noted above in the summary of changes which would be made in the basic legislation, the program of assistance to small areas would be broadened in several major respects. Of particular importance are the provisions authorizing designation of agencies by Governors, which will make it possible for virtually all States to participate in the program; raising of the population limit on eligible communities from 25,000 to 50,000; and extension of eligibility to counties of under 50,000 population. Under the expanded program for 1960, some 120 projects—60 percent greater than the number in 1959—are estimated to be approved. Under this estimate, the number of small areas benefiting from the program is expected to increase by 472, to a cumulative total of 1,485.

*Metropolitan and regional area planning*

(Dollars in thousands)

|  | 1958 actual | 1959 actual | 1960 estimate |
|--|-------------|-------------|---------------|
| Number of different metropolitan and regional areas involved (cumulative)..... | 82          | 93          | 133           |
| Project activity:  |             |             |               |
| Total projects during year.....  | 63          | 118         | 163           |
| Active, beginning of year.....   | 32          | 60          | 103           |
| Projects approved.....   | 31          | 58          | 60            |
| Projects completed.....  | 3           | 15          | 45            |
| Active, end of year.....   | 60          | 103         | 118           |
| Financial assistance:  |             |             |               |
| Contracts authorized.....  | \$1,097     | \$1,452     | \$1,713       |
| Disbursements.....   | \$719       | \$645       | \$1,550       |

The metropolitan and regional area planning portion of the program would be expanded, under the pending legislation, by authorizing planning related to interstate compacts in addition to planning under State and local laws and by authorizing additional types of work. However, some metropolitan and regional areas with center-city populations of 25,000 to 50,000 may receive planning assistance as small areas rather than as metropolitan or regional areas. As a result, the average amount of grant for this type of project is expected to increase because of the predominance of larger areas.

*State and interstate comprehensive planning*

(Dollars in thousands)

|  | 1958 actual | 1959 actual | 1960 estimate |
|--|-------------|-------------|---------------|
| Number of different States and territories involved..... |             |             | 17            |
| Project activity:  |             |             |               |
| Total projects during year.....                          |             |             | 17            |
| Active, beginning of year.....                           |             |             |               |
| Projects approved.....                                   |             |             | 17            |
| Projects completed.....                                  |             |             |               |
| Active, end of year.....                                 |             |             | 17            |
| Financial assistance:                                    |             |             |               |
| Contracts authorized.....                                |             |             | \$255         |
| Disbursements.....                                       |             |             | \$50          |

The provisions for State and interstate comprehensive planning in the pending legislation are completely new. All 53 States and territories would be eligible for this type of planning assistance; 17 are expected to participate during fiscal year 1960.

*Authorizations, appropriations, and contracts authorized*

The following table shows annual and cumulative appropriations and contracts by fiscal year from the start of the program:

| Fiscal year        | Appropriations |            | Contracts authorized |            |
|--------------------|----------------|------------|----------------------|------------|
|                    | Annual         | Cumulative | Annual               | Cumulative |
| 1955 actual.....   | \$1,000        | \$1,000    | \$103                | \$103      |
| 1956 actual.....   | 2,000          | 3,000      | 878                  | 981        |
| 1957 actual.....   | 1,500          | 4,500      | 1,766                | 2,747      |
| 1958 actual.....   | 1,275          | 5,775      | 3,024                | 5,771      |
| 1959 actual.....   | 3,250          | 9,025      | 2,960                | 8,732      |
| 1960 estimate..... | 14,075         | 13,100     | 4,368                | 13,100     |

<sup>1</sup> Includes \$975,000 in the Independent Offices Appropriation Act, 1960, and \$3,100,000 in this supplemental appropriation request.

PREPARED STATEMENT

MR. WALKER. Thank you, Mr. Chairman.

In the interest of time, I have a statement here, Mr. Chairman, which I would like to offer for the record.

Chairman HAYDEN. You may do that.

(The statement referred to follows:)

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before this committee to explain the Housing Agency's request for a supplemental appropriation for fiscal 1960 to carry on the urban planning assistance program originally established under section 701 of the Housing Act of 1954. I would like to briefly review the development of this program, and then explain why there will be a need for additional funds during 1960.

Under existing law, the urban planning assistance program, or "701 program," provides for Federal matching grants up to an aggregate of \$10 million to State planning agencies for urban planning work in cities of less than 25,000 population, and similar grants to State, metropolitan, and regional planning agencies for planning work on a metropolitan or regional scale. Grants are also available for planning in disaster areas and in areas threatened with rapid urbanization as a result of new or expanded Federal installations. The types of planning activities assisted by the program include surveys, land use studies, and general planning for the location and extent of public facilities (but excluding plans for specific public works).

The number of small communities and metropolitan areas assisted under the 701 program has increased rapidly since 1954. The number of different small communities involved in the program at the end of fiscal year 1959 was 1,013 as compared with 39 at the end of 1955. Corresponding figures for metropolitan areas are 93 at the end of fiscal year 1959, and 2 at the close of 1955. The projects approved through 1959 were located in 41 States and territories. We know that you gentlemen are familiar with the exploding population in our United States. We know the Congress has given careful thought and consideration to the problems that accrue thereto. In the foreground of these problems is the need for smaller communities and for metropolitan areas to intelligently plan so that they might absorb the terrific impact of these additional citizens and the demands they will make upon municipal services and conditions. The Congress in its inherent wisdom has suggested the raising of the limit of towns from 25,000 population under the previous law to a figure of 50,000, which we agree is a much more realistic figure. It is towns of this size that face the need to absorb the shock of the tremendous growth of suburbia. The cities or metropolitan areas, of course, must remain the centers of opportunity and culture and continue to make their contribution to the basic strength of America. Here is a tremendous need for intelligent regional examination of the errors of the past and needs of the future. The understanding gained by officials of these political subdivisions in the last few years is indicated by their acceptance and use of this program. We believe it to



be essential to the orderly progress and growth of our Nation that more and more political subdivisions be permitted to come under this accepted and worthwhile program.

Of the \$10 million authorization, all but the amount of \$975,000 in the pending Independent Offices Appropriations Act has been appropriated. On the basis of the current level of participation, funds that can be made available under the present authorization would be exhausted during the next few months.

I should like to emphasize two points about this supplemental appropriation request. First, the major portion of the amount involved is included in the President's budget, proposed for later transmission, contingent upon the enactment of pending legislation providing for the authorization of an additional \$10 million of Federal assistance. Second, the amount of the request is in part based on an expanded scope of the program that would be provided for in the same legislation. I would like to elaborate somewhat on the second point.

The pending housing bill would expand the urban planning assistance program in several respects, but the following changes have direct implications on budgetary requirements. The population limit on eligible small communities would be raised from 25,000 to 50,000. This category of 701 assistance would also be expanded to include small counties (under 50,000 population) and groups of small communities (total population under 50,000). The number of small communities entering the program is expected to increase further because the pending legislation would permit a Governor to designate another State agency to administer the State program, where there is no State planning agency. The pending legislation would also increase the metropolitan and regional area planning portions of the program by authorizing planning related to interstate compacts and by authorizing additional types of work. Assistance for a new type of planning—for State and interstate planning—would also be authorized under the new legislation.

This supplemental request, then, is necessary to permit continuation of the program under the expanded scope that would be authorized if the pending legislation is enacted into law. The comparatively small Federal expenditure under this program can do much to eliminate or retard blight that might otherwise develop in rapidly expanding communities and urban areas and regions. It serves no less as a desperately needed alarm clock which awakens the communities to the fact that if we are to accept the shock of our exploding population we must no longer permit our political subdivisions to grow as Topsy, but rather to have an interested citizenry concerned with the orderly and desirable progress and growth.

#### GENERAL STATEMENT

Mr. WALKER. Just briefly, the Urban Renewal Administration has been administering this urban planning assistance program since 1954. It has been very well received. None of these funds requested are for personnel or expenses of the Urban Renewal Administration, but are all grants which go to the local communities or State planning agencies.

The growth since 1955 has been steady and almost phenomenal. The acceptance of the need for this kind of planning has been general and enthusiastic.

I certainly hope that this committee will give it some consideration and take a fair and friendly look at our request here, because I think it is in the best interest of the town and States of our Nation.

Chairman HAYDEN. As with any new law it cannot be effective without some money.

Mr. WALKER. That is right.

Chairman HAYDEN. The budget estimate was submitted on the assumption that it will become law?

Mr. WALKER. That is right, Mr. Chairman.

Chairman HAYDEN. Are there any further questions?

## RENEWAL PROGRAM AT LAS CRUCES, N. MEX.

Senator CHAVEZ. You will recall 2 or 3 weeks ago I made some inquiries with reference to a renewal program at Las Cruces, N. Mex., right across from White Sands Proving Ground?

Mr. WALKER. That is right, sir.

Senator CHAVEZ. What has been done on that? Are you awaiting legislation?

Mr. WALKER. Yes, we are, sir. We are doing a little more than that, Senator. As you know, I am a newcomer to the Federal family, and I am making a review of what is possible today under these urban renewal funds which have not yet been committed.

With the absence of a formula it may well be that we can serve, probably---perhaps not in its entirety immediately, but perhaps we can ease it somewhat.

Senator CHAVEZ. In this particular area there are about 4,000 persons who will be beneficiaries under the renewal program.

On account of the local situation there, the ones doing the suffering are some members of the local population and not the city officials. I do hope you can work it out.

Mr. WALKER. Senator, I am grateful for your interest and I shall do my best.

Chairman HAYDEN. Are there any further questions?

If not, we thank you.

Mr. WALKER. Thank you, Mr. Chairman.

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## DEPARTMENT OF THE INTERIOR

### BUREAU OF INDIAN AFFAIRS

#### STATEMENT OF FRED H. MASSEY, ASSISTANT COMMISSIONER, BUREAU OF INDIAN AFFAIRS, ACCOMPANIED BY J. LEONARD NORWOOD, BUDGET OFFICER

#### FUNDS FOR CREEK INDIANS

Chairman HAYDEN. The Department of the Interior has a matter of Creek Indians to present.

The next item is for an amount of \$125,000 for the distribution of funds for Creek Indians.

The justification will be included in the record at this point.

Mr. Massey, you may proceed, sir, with your statement.

(The justifications referred to follow:)

#### *Distribution of funds of the Creek Indians, 1960*

|   |                 |
|---|-----------------|
| Appropriation to date.....                        | \$200, 000      |
| Obligations to June 30, 1959.....                 | 189, 903        |
| Expenditures to June 30, 1959.....                | 186, 343        |
| Request (to remain available until expended)..... | <u>125, 000</u> |

#### Employment:

|  |    |
|--|----|
| Average number, current appropriation..... | 2  |
| Number involved, this estimate.....        | 13 |
| Actual employment.....                     | 13 |

#### PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

In order to meet the necessary expenses incident to the distribution of funds belonging to the members of the Creek Nation of Indians, the Bureau of Indian Affairs received an appropriation of \$200,000 in fiscal year 1957, to remain available until expended. Experience in processing claims to date shows clearly that the appropriation will be insufficient to accomplish the task due to the many complicated heirship cases involved. This estimate will enable the Bureau to continue processing claims filed by the Creek people.

#### JUSTIFICATION

In order to meet the necessary expenses incident to the distribution of funds belonging to the members of the Creek Nation of Indians, the Bureau of Indian Affairs received an appropriation of \$200,000 in fiscal year 1957, to remain available until expended.

When the legislation, which authorized the distribution of these funds to the Loyal Creek and Freedmen Indians, was submitted on January 31, 1955, it was estimated by the Bureau that \$200,000 would be sufficient to defray expenses incident to the distribution of these funds. Because of the larger than expected number of heirship cases this amount will not complete the job.

Distribution of funds is being made in accordance with the provisions of the act of August 1, 1935 (69 Stat. 431). The act provides for three classes of payments as follows:

(1) Allotment equalization. This equalization payment was based on an act of Congress approved June 30, 1919 (41 Stat. 3, 24). Many of these claimants had been dead anywhere from 1 to 36 years. The difficulty and detail involved in determining and locating the present heirs of the claimants entitled to payment

has far exceeded that originally anticipated. A total of \$35,380.90 has been paid and there remains to be paid \$63,553.93 of the amounts due claimants for equalization.

(2) Per capita distribution to members of the Creek Nation based on a final roll approved under the act of April 26, 1906. A total of \$332,369.46 has been paid and there remains to be paid to this group or their heirs an amount of \$230,460.54.

(3) Payment of judgment of Indian Claims Commission to the Loyal Creeks, who were dealt with as a group separate and apart from the Creek Nation. They shared in \$538,628.29 on deposit in the Treasury, representing the balance of a judgment entered by the Indian Claims Commission in favor of such Indians. This is being distributed on the basis of a payroll prepared pursuant to the act of March 3, 1903 (32 Stat. 982, 994) for the purpose of distributing a \$600,000 appropriation that was made as part payment of the same claim. A total of \$294,481.35 has been paid and there remains to be paid to this group or their heirs, an amount of \$244,146.94.

As of June 30, 1959, a total of 11,527 claims have been paid and partial payment has been made on an additional 1,312 claims. The majority of the 11,527 payments made were direct payments and did not involve heirship determinations.

There remains to be paid 2,391 claims and the incomplete portion of those 1,312 claims on which partial payment has been made. It is estimated that 3,638 additional claims will be received. Inasmuch as these payments are based on rolls that were approved many years ago, it is estimated that approximately 95 percent of the claims awaiting payment will involve complicated heirship determinations. Many of these remaining claims will involve the heirs of enrollees who have been dead over 40 years.

The supplemental estimate for \$125,000 provides for continuation of the present staff of 14 positions for this work for 2 years. It is not possible to state categorically that all claims will be settled and funds distributed at the end of this period in view of the difficulty of determining, locating, and making payments to heirs of enrollees. However, the staff is now well experienced in this work and greater progress should be expected. The Bureau proposes to review this operation during this period with the view of determining the need for such amendatory legislation as would be necessary to dispose of any funds remaining undistributed. In the past it has been possible to turn over to the tribes for final disposition certain funds representing unpaid claims.

The Bureau has remaining from the \$200,000 appropriation a balance which should finance the existing staff through about August 31. Unless additional amounts are made available, it will be necessary to terminate this well-trained staff. This would result in starting anew with an untrained staff at some future date when funds might be available for this work. If this occurred the cost to the Government would be much greater.

#### GENERAL STATEMENT

Mr. MASSEY. Mr. Chairman and members of the committee, I appreciate the opportunity of appearing before you to explain the need for a supplemental appropriation to cover the costs of distributing funds belonging to the members of the Creek Nation of Indians.

The act of August 1, 1955, 69 Stat. 431, which provided for this distribution of tribal funds also provided for an appropriation of \$200,000 for necessary expenses incident to such distribution. The Congress appropriated this amount in fiscal year 1957.

Legislation is now pending action by the Congress which will increase the appropriation authorization for expenses from \$200,000 to \$325,000.

The distribution of the tribal funds involves three classes of payments: (1) to complete allotment equalization, (2) to distribute funds from a judgment of the Indian Claims Commission, and (3) to distribute per capita residual funds to members of the Creek Nation whose names appear on the final roll approved under the act of April 26, 1906.

As of the past June 30, the Bureau had received 15,230 claims for payment and had paid in full or in part 12,839 of them. It is estimated that 3,638 additional claims will be received.

Those claims which have not been paid, with few exceptions, require determinations as to rightful heirs. It is for this reason that it has not been possible to complete the distribution of these funds. To do so will require the continuation of the present staff to adjudicate the remaining heirship claims.

I shall be pleased to answer any questions the committee may have.

Chairman HAYDEN. It is my understanding that Senate bill S. 2339, which increases the authorization to \$325,000, has passed the Senate and that a companion bill, H.R. 837 is now awaiting action on the House Consent Calendar.

Am I correct?

Mr. MASSEY. That is correct, sir.

Chairman HAYDEN. I note in the justification the sum requested is to continue the services of some 14 employees for a period of 2 years.

Do you think it will take 2 more years to complete the job?

Mr. MASSEY. We expect that it will, Mr. Chairman; yes, sir.

Chairman HAYDEN. If there are no questions, we thank you for your statement.

## TREASURY DEPARTMENT

### BUREAU OF THE MINT

#### SALARIES AND EXPENSES

#### STATEMENTS OF WILLIAM H. BRETT, DIRECTOR OF THE MINT; LELAND HOWARD, ASSISTANT DIRECTOR OF THE MINT; FRED- ERICK W. TATE, CHIEF ACCOUNTANT, AND BEN C. HOLLY- FIELD, ASSISTANT CHIEF ACCOUNTANT

#### BUDGET REQUEST

Chairman HAYDEN. The Treasury Department, Bureau of the Mint, has a request for an additional amount for "Salaries and expenses," \$300,000.

You may proceed, Mr. Brett.

Mr. BRETT. Mr. Chairman, I have a formal statement here. If you would like to have me read it, or I can brief it, sir.

Chairman HAYDEN. You may highlight it.

Mr. BRETT. First, I would like to say for 5 years as Director of the Mint, this is the first time I have ever appeared before the Senate. I am kind of proud of that amateur standing because we have never asked for a supplemental in the last 5 years.

#### PREPARED STATEMENT

Chairman HAYDEN. Your statement will be included in the record in full, and you may proceed.

(The statement referred to follows:)

Mr. Chairman and members of the committee, it is a pleasure to appear before this committee and explain the need for a supplemental appropriation for the production of additional domestic coins.

Coins are ordered from the mints by the Federal Reserve banks and branches in quantities required for the country's business transactions, and the volume of the coinage program is therefore determined by the public need for coins. The coin demand is subject to extreme fluctuations. Although we are usually able to meet sudden heavy demands by readjustments of programs, etc., sometimes the fluctuation is so extensive that it is necessary to request supplemental funds. The most recent supplemental requested for this purpose was in fiscal 1952.

Funds presently available to the mint provide for the production of 1,550 million coins. With the present high level of employment and business activity, the banks are calling for coins in much greater quantities. Ordinarily, the major portion of the coin demand occurs in the fall months, prior to the Christmas season. This year, the demand has been very heavy in the early part of the year. During the first 7 months of the calendar year 1950, the mints delivered 1,267 million coins to the Federal Reserve banks, and reserve stocks in the mints now amount to about 43 million pieces. During the same period of the calendar year 1958, the mints delivered 603 million coins to the banks and reserve stocks amounted to 347 million pieces.

Present funds are inadequate for production of the quantities of coins now being requested, and a backlog of unfilled orders is growing larger. This backlog should be liquidated before business concerns, which use large quantities of coins for making change, become aware of the situation and begin to hoard coins. It is

necessary to take action immediately, by increased production, to preclude widespread hoarding which makes the shortage more acute. Numerous complaints regarding delayed deliveries are already being received from the banks. The supplemental funds requested will provide for production of approximately 350 million additional coins.

I shall be pleased to furnish any additional information which you may request regarding the coinage program.

#### GENERAL STATEMENT

Mr. BRETT. Actually, we are asking for \$300,000 to produce 350 million more pieces of coin in the fiscal year 1960. We have experienced an unusually heavy demand in the first 7 months of the calendar year which is usually a very light period.

We can give our reasons or our guesses for this increase, but our inventories are extremely low. At the present time they are down to 40 million pieces, which is a small fraction of what they were a year ago.

We are entering into our heaviest demand season, September through Christmas, where we are called upon to produce the largest quantity and deliver the largest quantity of coins of any time during the year.

Mr. Chairman, I think that covers the situation.

Chairman HAYDEN. The House had hearings on the supplemental as late as June 18 and the Senate as late as July 24. Why could not this item have been presented then?

Mr. BRETT. As of December 31, at the time early in January that we came for our 1960 money on the Hill, we had a very comfortable inventory of coin, ample supply—in comparison with the average of the previous 3 to 5 years, we had heavy inventories.

The demand of the previous 6 months, that is the heavy demand season for the calendar year 1958, showed no indication of a big increase in the demand. It was just about the same demand that it had been for the previous 3 years.

#### INCREASE IN DEMAND FOR COIN

The increase in the demand for coin has all occurred since January 1 and has been accelerated particularly in May and June.

Chairman HAYDEN. Is it because more coin vending machines are being made all the time?

Mr. BRETT. Well, there are a good many reasons. Of course, the population is growing, there are a great many more market centers being built, there are more vending machines, there are more parking meters, and it does fluctuate terrifically from year to year.

Chairman HAYDEN. For fiscal year 1960 Congress allowed an appropriation of \$4,300,000, the Budget request. This being the first quarter of fiscal year 1960 why cannot the changes be made in the allocation of funds in order to assure the most efficient use of available funds. Can you not reallocate the amount?

Mr. BRETT. I am going to ask Mr. Howard, Assistant Director, who is more familiar with these accounting procedures, to answer that question.

Mr. HOWARD. Mr. Chairman, I think we should look at the mint as a whole. We are talking about coins. That is only one function of the mint.

We have to receive gold and silver deposits, as you know, under the law. We take that in and must refine it.

We operate a refinery.

Then we have protection of metals such as Fort Knox for gold and West Point for silver. Those functions must go on.

Now coinage represents about 42 percent of the total money we get. We cannot borrow too much from these other functions for coinage and apply it in the first half and then operate in the second half.

In other words, when we have a heavy demand such as the one this year, we normally do start to look around and trim all corners.

For example, so far this year we have not opened up the refinery in the Denver mint.

Chairman HAYDEN. I would assume, then, that your answer is that when you were making up the regular budget you did not anticipate this demand?

Mr. HOWARD. That is right.

#### INCREASE IN BUSINESS ACTIVITY

Let me point out something on this demand, Mr. Chairman. I think there are two things on the demand side and one on the supply side that has hurt us. In the first place, an increase in the business activity has caused the use of more coin. Last year we were in a slight recession and we were not using many coins, and our inventories were high.

Secondly, we changed the reverse on the one-cent coin this year and whenever we put out a new coin, curiosity or something, causes people to take the first ones they get and hoard them, they keep them, they don't pass them, and that takes more coins.

#### WAGE INCREASES

Now, on the supply side, last year when we were getting up our budget we were in comfortable shape and we absorbed our wage increases. We absorbed about \$175,000 of our per annum wage increases.

Most agencies asked for a supplemental to cover that.

We also had about \$60,000 in per diem wage increases, or a total of \$235,000.

Actually, by absorbing that, with no improvement in efficiency to correspond to it, we actually cut our program back that much.

To point out the increased demand this year I will give some past figures. In 1954—this is for the first 7 months—we paid out 236 million coins; in 1955, 595 million coins; 1956, 902 million coins; 1957, 802 million; 1958, 692 million.

And this year, we have delivered 1,266 million.

Chairman HAYDEN. That is moving along.

Mr. HOWARD. Now, there is one other thing I would like to point out and that is we do not come down and get money unless we need it and to prove that we have turned back money, which is an unusual thing. I will give you an example, Mr. Chairman:

Out of an appropriation in 1957 of 5 million-some-odd dollars we turned back \$343,000.

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In going back a few years, in 1950, for example, with an appropriation of \$5 million, we turned back about a million.

Chairman HAYDEN. When was the last time a request for supplemental funds was made?

Mr. BRETT. In 1952.

Chairman HAYDEN. You have not asked for any since that time?

Mr. BRETT. That is right.

#### TOTAL COIN INVENTORY

Chairman HAYDEN. Now, the justification on page 11 states an inventory of 88 million coins since June 30, 1959.

Mr. BRETT. That is down to 40 million today.

In spite of the fact that we have been producing very heavily—

Chairman HAYDEN. You have reserve stocks according to your statement of 43 million coins.

Mr. BRETT. The figures as of last Friday night was 40 million.

Chairman HAYDEN. Do we understand that you have ordered 45 million coins from the mint in the last 1½ months?

Mr. BRETT. No; we have produced a great deal more than that and shipped it to the banks. That is just the shrinkage in the inventories.

We have produced 172 million coins in July and shipped, plus the 46 million that our inventory shrunk.

Mr. HOWARD. The inventory you have there is the inventory we have in the Denver and Philadelphia mints and that is spread over five denominations of coin in each place.

Actually, all it amounts to when you get down to 40 million pieces you are just about holding a couple days production to ship.

Chairman HAYDEN. Now, your regular justification for 1960 stated that the funds requested and appropriated, 4.3 million, would provide for the manufacture of 1,700 million coins.

In your prepared statement you say that the funds available will produce a billion and a half.

Mr. BRETT. Our initial setup was 1,550 million. This 500,000 we are asking for will produce 350 more million, which would make 1,900 million.

Now, we possibly can stretch that due to the fact that we will be working overtime and we will get more production. But that is our setup as it exists.

Chairman HAYDEN. Between those two estimates there appears to be a difference of 200 million coins.

Mr. TATE. In our original appropriation, Mr. Chairman, we felt with the funds available that we could make 1.7 billion.

As Mr. Howard pointed out we absorbed all of these per annum pay increases and all of the per diem wage increases which increased our cost.

Now, a year later, when we know what our new costs are, we find that the funds will not go as far as we originally had thought they would, so our new figure now is 1,550 million. So we are short 150 million of what we had originally estimated.

Chairman HAYDEN. The inventory of coins in 1956 was 10 million coins. Then no supplemental request was required. Now with a higher inventory you have to have more money.

Mr. BRETT. What was that figure of 10 million that you gave?

Chairman HAYDEN. In 1956 your inventory was 10 million coins.

Mr. BRETT. Against that a year ago our inventory was very close to 400 million.

Chairman HAYDEN. Are there any further questions?

Senator BIBLE. Mr. Chairman, might I ask one question?

#### COMMEMORATIVE COIN FOR ANNIVERSARY OF DISCOVERY OF SILVER

First, I want to publicly thank the Director, Mr. Brett, for his great help in assisting the State of Nevada in working out a commemorative coin on the 100th anniversary of the discovery of silver. Now that I am mentioning silver, and this is the point I am trying to get at, I learned with a great deal of pleasure, a great deal of satisfaction, that you are increasing your coinage.

#### INCREASED USE OF SILVER

Now, can you tell me what the increased use of silver has been in the last few years due to increased coinage? If that is not readily available, you can supply it for the record.

Mr. BRETT. We can supply that. It comes in our annual report.

Mr. HOWARD. That will vary from year to year, depending on our coinage program, sir.

Senator BIBLE. I recognize it will vary from year to year, but you certainly know how many ounces of silver you use in your mint each year.

Mr. HOWARD. It has been running from 8 to 40 million ounces each year.

Mr. TATE. In fiscal year 1953 we used 56 million ounces.

Fiscal year 1954, 60 million.

Fiscal year 1955, down to 17 million.

In 1956, it was also 17 million. In 1957 it came back up to 48 million.

In 1958 it was 49,400,000, and I do not have the figure for fiscal 1959 here.

Senator BIBLE. I assume that since you have increased coinage you have increased use of silver?

Mr. TATE. That is right.

Senator BIBLE. You use silver in what, the 10, 25, 50, and dollar pieces?

Mr. BRETT. At the present time the demand is primarily on the 1-cent pieces.

Senator BIBLE. Thank you, Mr. Director.

Chairman HAYDEN. At one time were you melting up old coins to make new ones?

Mr. BRETT. I will let Mr. Howard answer that question, sir.

#### MELTING UP OF SILVER DOLLARS

Mr. HOWARD. Senator, as far as the regular issue coins, that is 50, 25, 10, and the 1 and the 5, we have always remelted those. I believe what you are thinking about is that up until December, 1952, we could not melt silver dollars. You enabled us to get legislation because during the war copper was short, to melt up those unfit silver dollars that were in our vaults, that is dollars we could not reissue.

The agreement under that was that we would melt up unfit silver dollars and that is just about all we did. We have not melted many in the last few years, but just during those war years.

I believe we melted a total of about 60 million of them and used them to make subsidiary coin.

Chairman HAYDEN. As I understand it, silver in the United States now is mainly a byproduct of the mining of copper ores. Do you buy all of that and have to buy some foreign silver besides?

Mr. HOWARD. No, sir; under the act of July 31, 1946, it is mandatory that we buy all newly mined domestic silver that is offered to us.

At times we buy it, that is, when the price in the market is such that it is more profitable to send it to us, it is sent to us. There are times when the market price goes slightly above our price and at those times we do not receive newly mined silver.

#### AUTHORITY TO BUY FOREIGN SILVER

Now, under the act of 1934, the Silver Purchase Act, we can buy foreign silver. We have not bought any foreign silver under that act since 1942.

The only purchase under that has been from a few other Government agencies that had silver after the war. That is about the status on the silver.

Chairman HAYDEN. Thank you, gentlemen.

Mr. HOWARD. There is one thing I would like to point out, Mr. Chairman, in this connection, with Senator Bible.

#### SEIGNORAGE

We are asking for \$300,000 to make 350 million coins, but the seignorage to us on this coinage would make about \$7,721,500 for the general fund of the Treasury.

In other words, the granting of this \$300,000 will not unbalance the budget. It will put a surplus in the budget.

Senator BIBLE. If I might supplement that, if I am not mistaken, the seignorage realized by the U.S. Treasury has returned something in the neighborhood of \$2 billion to the Treasury in the course of your program; is that not correct?

Mr. HOWARD. On silver?

Senator BIBLE. On silver alone?

Mr. HOWARD. That is right.

Senator BIBLE. For that reason alone I think the price of silver should be higher.

Mr. BRETT. Mr. Chairman, this is very important to the Bureau of the Mint.

Chairman HAYDEN. Thank you for your presence.

## DISTRICT OF COLUMBIA

### METROPOLITAN POLICE DEPARTMENT

**STATEMENT OF HOWARD V. COVELL, DEPUTY CHIEF OF POLICE,  
EXECUTIVE OFFICER, GOVERNMENT OF THE DISTRICT OF CO-  
LUMBIA, METROPOLITAN POLICE DEPARTMENT, WASHING-  
TON, D.C., ACCOMPANIED BY ASHLEY A. ADERHOLDT, CAPTAIN,  
AND JERRY V. WILSON, SERGEANT**

#### FUNDS FOR ADDITIONAL POLICE OFFICERS

Chairman HAYDEN. The last item relates to the District of Columbia Police Department.

Deputy Chief Covell is here. We shall be glad to hear from you gentlemen.

Senator BIBLE. Mr. Chairman, if I might interject just briefly before the chief testifies, as the chairman of the Legislative District of Columbia Committee, I have been considerably alarmed by the crime situation in the District of Columbia. I had occasion yesterday to address myself at some length on the floor of the Senate on the subject.

I have communicated to Commissioner McLaughlin, who is President of the Board of Commissioners and he had intended to be here this morning to present this testimony.

He had a conflict on the House side because he is the chairman of the Interstate Commerce Compact Commission on the Potomac and they had a compact hearing before the House committee.

He asked me if I would be kind enough to arrange with you, sir, to have Chief Covell present the picture and the request for some needed funds.

It was my idea and one that I checked with the President of the Board, that it might be well because of this increase in crime to make some provision for additional policemen right now for the Nation's Capital.

I will let Chief Covell tell his own story.

(The justification follows:)

GOVERNMENT OF THE DISTRICT OF COLUMBIA,  
METROPOLITAN POLICE DEPARTMENT,  
August 27, 1959.

To: Walter L. Fowler, Budget Officer, District of Columbia.

Subject: Request that the 1960 appropriation estimates of the Metropolitan Police Department be supplemented to provide funds for an additional 100 police officers (privates, class 1).

A request has been previously submitted to your office to provide 500 additional police officers in the 1961 appropriation of this department. Because of the critical increase in recent crime rates, it is believed that the increased patrol program should be at least partially in effect as soon as possible; therefore, it is requested that the following item be provided as a supplement to the 1960 appropriation of this department to provide 100 additional police officers during the last 10 months of fiscal year 1960.

## ACTIVITY 2. PREVENTION AND DETECTION OF CRIME

*Improved services, \$408,210*

This increase is requested to cover the cost of employment of 100 additional police officers to increase the foot patrol during the last 10 months of fiscal year 1960. Serious crime in the District of Columbia has increased 15.2 percent during the period February through July, 1959, and the pattern indicates a possible long-term upward trend in crime rates in this city. These crimes, instead of being localized in specific areas, as in the past, are now being committed in parts of the city heretofore unaffected. This decentralization requires more uniformed patrolmen to cover the wider area involved. Citizens, who could once walk in certain residential areas without any apprehension, now fear for their safety when they venture out after nightfall, even within sight of their homes.

The additional manpower would be assigned to the newly affected areas, during the hours these crimes are prevalent.

*Application of funds*

This request will provide \$400,000 for salaries, \$4,910 for uniforms and \$1,300 for life insurance for 100 police privates, class 1.

*Financial analysis*

|    |                             |           |
|----|-----------------------------|-----------|
| 01 | Personal services:          |           |
| 13 | Uniformed.....              | \$400,000 |
| 07 | Other contractual services: |           |
| 11 | Life insurance.....         | 1,300     |
| 08 | Supplies and materials:     |           |
| 51 | Uniforms.....               | 4,910     |

*Analysis by funds*

|                   |           |
|-------------------|-----------|
| General fund..... | \$346,200 |
| Highway fund..... | 60,000    |

ROBERT V. MURRAY,  
Chief of Police

*List of foot patrolmen, Wednesday, Aug. 19, 1959*

| Precinct unit | Foot beats | Tours of duty |        |         | Precinct unit   | Foot beats | Tours of duty |        |         |
|---------------|------------|---------------|--------|---------|---|------------|---------------|--------|---------|
|               |            | 12 to 8       | 8 to 4 | 4 to 12 |   |            | 12 to 8       | 8 to 4 | 4 to 12 |
| 1.....        | 1 10       | 7             | 13     | 0       | Footmen on duty. Additional footmen necessary to cover beats. |            |               |        |         |
| 2.....        | 2 10       | 1             | 8      | 15      |   |            |               |        |         |
| 3.....        | 11         | 6             | 8      | 8       |   |            |               |        |         |
| 4.....        | 8          | 3             | 4      | 3       |   |            |               |        |         |
| 5.....        | 10         | 10            | 7      | 0       |   |            | 84            | 100    | 121     |
| 6.....        | 10         | 8             | 6      | 5       |   |            |               |        |         |
| 7.....        | 12         | 1             | 4      | 4       |   |            |               |        |         |
| 8.....        | 9          | 4             | 4      | 5       |   |            |               |        |         |
| 9.....        | 3 10       | 15            | 7      | 15      |   |            |               |        |         |
| 10.....       | 13         | 10            | 8      | 8       |   |            |               |        |         |
| 11.....       | 12         | 8             | 7      | 8       |   |            |               |        |         |
| 12.....       | 10         | 5             | 3      | 8       |   |            | 100           | 66     | 65      |
| 13.....       | 12         | 6             | 10     | 11      |   |            |               |        |         |
| 14.....       | 10         | 7             | 4      | 13      |   |            |               |        |         |

1 1 beat double.

2 Double.

3 No double beats on day work.

NOTE.—Total footmen needed to cover beats:

Single, 126..... 126

Double, 30..... 60

Needed to cover beats..... 186

## GENERAL STATEMENT

Chairman HAYDEN. You may proceed.

Chief COVELL. Mr. Chairman, since February of this year there has been an increasing trend of crime in the District of Columbia. During the first months of increase, the Department was uncertain that the changes represented a long-term trend; however, crime rates have increased each month through July.

Therefore, we now have every reason to believe that these changes represent a long-term continuation of an increase in crime in the District of Columbia.

We are asking for a supplemental appropriation of \$406,000 to employ 100 additional policemen. If we get those 100 additional policemen they will be used on the foot beats principally in the outer precincts of the city.

Crime heretofore has been concentrated in the central section of the city, but lately it has moved into the outer sections. For instance, we concentrated additional footmen in the first and second precincts, which heretofore were first and second, respectively, in ratio of serious crime. With the additional footmen those precincts dropped to seventh and sixth positions, respectively.

But in the meantime the rates of outlying sections that had been low in crime have been steadily increasing.

At this time we feel that if we can get the additional men we can put those men throughout the entire city, concentrating them mostly in the sections where there has been an increase in crime; that should reverse the upward trend.

The Department feels that 100 men are necessary at this time as an emergency measure. We feel that more men are necessary later.

## PERCENTAGE OF CRIME INCREASE

There has been a 15.2 increase in crime in the District of Columbia during the period of February and July 1959.

Senator CHAVEZ. What is the nature of the crime, robbery, larceny?

Chief COVELL. The increase in the outlying section has been mostly petty larceny, stolen automobiles, and housebreaking. The housebreaking naturally, to the citizen, is the more serious.

In the center of the city it has been mostly murder, rape, robbery, and so forth, although some of the robberies have moved out into the residential sections and we have had several serious pocketbook snatchings where people were injured as a result.

Senator CHAVEZ. I used to be on the District of Columbia Appropriations Subcommittee. What is that station or precinct around Seventh and U Streets?

Chief COVELL. That is the 13th precinct. The crime has been moving progressively out through that area from 1 and 2, into 13 and 10. And No. 6 which is the northernmost precinct had been pretty free of crime in the past. Crime is moving into that section, into the 6th precinct and the 12th precinct, where we had not had it before.

Senator BIBLE. As I understand it, you are now processing a request for additional 500 men for fiscal year 1961; is that correct?

Chief COVELL. Yes, sir.

## EMERGENCY REQUEST

Senator BIBLE. Now, this is an emergency request and one in which I think there is great urgency, to add 100 men immediately.

Now, can the Department absorb 100 men immediately?

Chief COVELL. We can recruit about 30 a month, but in the meantime we could use our men who are on duty at this time. By working them on the sixth day we would obtain the equivalent of 100 additional men and as we recruited the approximately 30 men a month we would then decrease the number that would be permitted to work on their sixth day.

I would say that, barring unforeseen circumstances, we could put 100 men on the force by January 1, and then in the meantime we would have the equivalent of that number of men by working the present force on their sixth day.

## LEGAL AUTHORITY

Senator BIBLE. Might I ask you one other question, Chief Covell, and I am sure you have checked it out with legal counsel, and I believe the law will speak for itself.

As I understand it, there is no necessity for additional legislation.

Chief COVELL. There is not, sir.

Senator BIBLE. The law presently reads that you shall maintain a police force of not less than 2,500 men.

Chief COVELL. Yes, sir; and we have the authority, if the funds are available, to use the men we have for a sixth day and to exceed the 2,500-man minimum.

The sixth day is a stopgap for the increased personnel. It would be used for that purpose until we could employ the additional personnel.

We have approximately 700 men who have taken the U.S. civil service examinations and would be available for appointment once they passed our screening system.

Senator BIBLE. Mr. Chairman, I have been informed there are sufficient funds available to pay these additional costs that will be brought about by adding 100 men to the police force.

I would like to have that statement likewise appear in the record.

There is something in the neighborhood of \$2 million in the general fund on June 30, available, so I am advised by Mr. Merrick.

Chief COVELL. The Department views this condition with alarm. We have to also point out that our crime picture is not as bad as it is in other cities by statistical reports, but any crime is too much, and we don't want it to continue as it is now.

It is increasing each month.

Senator CHAVEZ. With the population within the District, will 2,500 policemen be sufficient to take care of your problem?

Chief COVELL. Senator Chavez, I can only say that approximately 15 years ago the then Chief of Police made the statement that they needed 2,500 men then. Fifteen years have passed, crime has increased, and all conditions that necessitate police services have increased, and I would say 2,500 men are not sufficient.

## NEED FOR MORE POLICEMEN ON THE STREET

I am not prepared at this moment to state the exact number, but I can say that we have moved into a new field of determination of distribution that has shown us without any doubt that we are needing more men on the street.

I can assure you that 500 would not be too many because 500 really only makes 308 men for each day, 7 days a week, because of the fact you must give them days off and annual leave, and so forth.

So it would really mean 308 men every day of the week, 365 days of the year.

Senator BIBLE. May I ask leave to file at this point in the record the justification which was handed to me through the chief, as well as a breakdown in the manner in which the additional policemen would be used?

Chairman HAYDEN. That may be done. I think it should appear at the beginning of the hearing.

Senator BIBLE. This could well appear at the beginning of the hearing.

Chairman HAYDEN. Thank you, gentlemen.

Chief COVELL. Thank you, sir.

(The following letter was later received:)

(See p. 897)

DEPARTMENT OF AGRICULTURE,  
Washington, D.C., August 28, 1959.

HON. CARL HAYDEN,  
Chairman, Committee on Appropriations,  
U.S. Senate.

DEAR SENATOR HAYDEN: This is in reply to the request of Senator Mundt during the hearings before your committee, on August 26, 1959, for an example of how the local fair rental value limitation on conservation reserve payments in the Agricultural Appropriation Act will apply in the case of a landlord-tenant operated farm.

The local fair rental value limitation leaves the county committee no discretion except to take the production on the farm for the last 5 years and divide it by 5 to get the average annual production. In areas where cash rental rates are not available, the landlord's customary share of the production must be taken to establish the local rental value.

If we take as an example a farm on which the average return per acre for the last 5 years has been \$40, in an area where the landlord's customary share of the crop is one-fourth, the rent would be established at \$10 per acre. Even if we add \$2 per acre to cover the cost of controlling weeds, repair of fences, maintaining cover, and other special obligations which the producer assumes under the conservation reserve contract, the maximum rate per acre which may be paid on the farm under the limitation, is \$12 per acre. This \$12 per acre does not all go to the owner, but must be shared by the owner with the tenant.

In areas where drought or other disaster conditions have prevented a normal crop in any 1 or more of the 5 years, the rate of payment will be even lower.

Under this limitation, the 1960 rates are considerably less than the rates in effect for 1959, and it is obvious that such rates are not sufficient to attract participation by landlord-tenant operated farms.

Under the amendment proposed by Senators Mundt, Young, and Schoeppel, the rates for 1960 would be comparable to the rates in 1959.

Sincerely yours,

MARVIN L. McLAIN, Acting Secretary.



(See p. 868)

OLYMPIA, WASH.

Hon. WARREN G. MAGNUSON,  
Senate Office Building, Washington, D.C.:

Following factors concern participation of State of Washington in Century 21 to date and verify authority of this office to commit the State and deal with the Federal Government. State has spent approximately \$1,750,000 to date for land acquisition and site planning and additional \$4,200,000 committed for design and construction of State building. We have more than \$1,500,000 remaining in State funds and authority to use such funds. We have sufficient land for Century 21 and authority to dispose of that land for purposes of developing Century 21. Chapter 174, Laws of 1957 specifically enjoin this department to cooperate with the Federal Government "to the extent necessary to secure the participation of that Government" in the Century 21 Exposition in Seattle in 1961 and 1962.

H. DUANE KREAGER,

Director, Washington State Department of Commerce and Economic Development.

(See p. 870)

## CENTURY 21 EXPOSITION, INC

*Expense budget for preoperating period Aug. 1, 1959, to May 10, 1961*

|  |             |
|--|-------------|
| Budget for period Aug. 1 to Dec. 31, 1959.....       | \$361, 500  |
| Budget for period Jan. 1, 1960, to May 10, 1961:     |             |
| Payroll.....   | 1, 028, 500 |
| Taxes.....   | 25, 800     |
| Garbage collection.....                              | 1, 000      |
| Security guards (contract).....                      | 14, 000     |
| Janitors, housekeeping (contract).....               | 10, 000     |
| Maintenance, landscaping, etc.....                   | 67, 000     |
| Telephone, cables, etc.....                          | 62, 000     |
| Maintenance building, structures, and equipment..... | 15, 000     |
| Electricity, gas, fuel, etc.....                     | 40, 000     |
| Rent:  |             |
| Armory.....  | 134, 000    |
| Nile Temple.....                                     | 24, 500     |
| Equipment.....                                       | 2, 000      |
| Ticket printing.....                                 | 10, 000     |
| Uniforms and upkeep.....                             | 10, 000     |
| Advertising.....                                     | 494, 000    |
| Professional and consultants fees.....               | 124, 000    |
| Signs, buttons, badges.....                          | 1, 000      |
| Office supplies, postage, etc.....                   | 75, 000     |
| Travel and related expenses.....                     | 160, 000    |
| Insurance.....                                       | 10, 000     |
| Drayage, freight, custom house fees.....             | 10, 000     |
| Public-address system, rent.....                     | 5, 000      |
| Transportation of fairgrounds.....                   | 5, 000      |
| Auto expenses.....                                   | 1, 000      |
| Emergency telephone circuit.....                     | 1, 500      |
| First aid, etc.....                                  | 3, 000      |
| Photographic and blueprint supplies.....             | 6, 000      |
| Trade fairs, foreign.....                            | 16, 000     |
| Foreign representation.....                          | 46, 000     |
| Model of site.....                                   | 30, 000     |
| Interest.....  | 160, 000    |
| Total.....   | 2, 952, 800 |

Source: Controller's Department, Seattle, Wash., Aug. 21, 1959.

## CONCLUSION OF HEARINGS

Chairman HAYDEN. The hearings on the Senate bill are concluded (Thereupon, at 12:20 the committee was adjourned.)

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